



George P. Shultz, right, secretary of state-designate, talked with members of the Senate Foreign Relations Committee before a hearing. From left are Joseph R. Biden Jr., Democrat of Delaware; Charles H. Percy, an Illinois Republican; and Edward Zorinsky, Democrat of Nebraska.

## Senate Committee Endorses Shultz for Secretary of State

WASHINGTON — The Senate Foreign Relations Committee voted unanimously Wednesday to recommend that the Senate confirm George P. Shultz as secretary of state.

The vote was 17-0 in favor of approving Mr. Shultz as successor to Alexander M. Haig Jr., who resigned on June 25. A vote by the full Senate was expected later Wednesday.

In his second day of public testimony before the committee Wednesday, Mr. Shultz said the United States should deal with the Soviet Union from positions of strength and realism — developing mutually beneficial ties where possible but pointing out weaknesses in the Soviet system where they exist.

"We should have a strategy not of confrontation, but a strategy of confidence, strength and a sense of realism about the nature of their system and what they're trying to do," Mr. Shultz said.

During a second day of questioning by the Senate Foreign Relations Committee on his nomination to be secretary of state, Mr.

Shultz said the United States should seek "constructive and mutually beneficial relations" with Moscow, but should not hesitate to publicly criticize Soviet behavior.

"We feel it's reprehensible and wrong," Mr. Shultz said. "We don't have to be flamboyant about it."

China is displaying new irritation with the United States over the Taiwan issue, Page 2.

Senators at the Shultz hearings have pressed the nominee on his ties to the Bechtel Group, Page 3.

Mr. Shultz also said he believes the United States should continue selling defensive arms to Taiwan, despite objections by China. He said U.S. policy should be based on Taiwan's defense needs, not on what China likes.

Mr. Shultz is expected to be confirmed easily and quickly — possibly as early as Thursday — as Alexander M. Haig Jr.'s successor.

During Tuesday's opening day of hearings, Mr. Shultz appeared to go further than administration

officials in saying there is a need to address the Palestinian question in bringing peace to the Middle East.

In a session dominated by questions from the Middle East, Mr. Shultz Tuesday reaffirmed "the depth and durability of America's commitment to the security of Israel... our closest friend in the Middle East" while also advocating stronger ties with the Arab world.

The nominee's soft-spoken comments were in sharp contrast to those of his more mercurial predecessor, whose congressional appearances were often characterized by sweeping and dramatic statements in a kind of English that became known as "Haigese."

Mr. Shultz's tense confirmation hearings took five days and were punctuated by sparring with Senate questioners.

Mr. Haig resigned after a stormy 17-month tenure, citing policy differences within the administration.

Mr. Shultz sought to assure the committee that he is a team player. "The president is the boss," he told the committee. "We all work for him."

## Britain's Rail Strikers Face Firing 25,000 Engineers Ordered Back to Work by Tuesday

By Peter Osnos  
Washington Post Service

LONDON — The management of Britain's state-owned railways said Wednesday that 25,000 engineers, on strike since July 4, must return to work by next Tuesday or the rail system will be shut down the next day and they will be fired.

The announcement by British Rail forces a major test of strength between the leadership of the heavily subsidized industry and the powerful labor unions that work in it. The confrontation could have a profound impact on the Thatcher government's determination to improve productivity in the nationalized sector, a key element in reviving Britain's economic vitality.

"This is one more painful chapter in the modernization of Britain," said an aide to Prime Minister Margaret Thatcher, offering the government's full support for British Rail's drastic decision.

The Associated Society of Locomotive Engineers and Firemen, known as ASLEF, called the strike to protest British Rail's plans to introduce flexible work schedules instead of the traditional eight-hour day. ASLEF contends that "flexible rostering," as the change is called, would mean a loss of jobs.

Tony West, an ASLEF representative in East London, said that union reaction to management's action will be "to take a much harder line. This shows how little the Railways Board cares about its workers."

Reaction from Britain's other labor unions is likely to build as the date for the dismissals draws closer. The secretary-general of the Trade Union Council, Len Murray, urged ASLEF to suspend the strike but at the same time called on British Rail to postpone its productivity plans so that "serious

and speedy" negotiations could begin.

British Rail has attempted to maintain service on the railways throughout the strike, mainly relying on members of the larger National Union of Railwaymen, which is not on strike. But only a fraction of the usual rail traffic is running, with no evidence that ASLEF members in great numbers are defying the walkout.

The British Railways Board decided Tuesday, therefore, to order cancellation of the existing ASLEF contract and dismissal of all drivers who refuse to accept flexible rostering, unless a "substantial number of drivers return to work by Tuesday. Otherwise, the system will be closed down the next day, and pay for the 160,000 members of the National Union of Railwaymen will be reduced to the minimum wage.

Announcement of these moves (Continued on Page 2, Col. 3)

## Iran Troops Begin Invasion of Iraq

NICOSIA — Iranian forces pushed into Iraq and established a foothold near Iraq's southern oil-refining center at Basra on Wednesday, declaring an offensive to "liberate Iraq" nearly two years after the war between the two Gulf nations began.

An Iraqi military communiqué confirmed the Iranian report and said Iranian forces "penetrated our international border in the Basra sector on a front 10 kilometers [six miles] long and 10 kilometers deep."

The communiqué, broadcast by Baghdad Radio, said, however, that Iraqi forces counterattacked and succeeded in "checking the enemy advance and containing its thrust."

Ayatollah Ruhollah Khomeini, who ordered the invasion, called on the Iraqi people and army to join Iranian troops and overthrow "the blasphemous regime" of President Saddam Hussein and establish an Islamic government.

"Save Your Country"

The ayatollah addressed the Iraqi Army in a message read on Tehran Radio, which said: "Our brothers have come to save you and send this oppressor regime to hell... Save your country with the help of your Iranian brothers and do not let the destiny of your country be decided in America."

The message urged Iraqis to rush to the battlefronts and crush "the Iraqi Army, whose morale has been smashed."

The Iranian operation, which has the code name Ramadan, after the Muslim holy month that ends next week, follows repeated calls by Iran's clerical rulers for an invasion of Iraq and reports on Tehran Radio that Iraqi prisoners of war had asked Iran to liberate their country.

U.S. Declares Neutrality

Iran said it had launched the attack to overthrow the Iraqi government and to pave the way for its troops to pass through Iraq to fight Israeli troops in Lebanon and capture Jerusalem.

In Washington, Larry M. Speakes, deputy White House press secretary, announced U.S.

neutrality and urged "an immediate end to hostilities and a negotiated settlement." He said the United States supported the "independence and territorial integrity" of both Iran and Iraq.

"Our support for the security of friendly states in the region which might feel threatened by the conflict is well known, and the United States is prepared to consult with these states on appropriate steps to support their security," Mr. Speakes said. He would not say what "appropriate steps" could be taken. He said that no additional military aid for friendly nations beyond current programs of assistance, was contemplated.

State Department officials said Iranian forces had pushed as far as 20 miles into Iraqi territory. They said the Iranians were moving at night because daytime temperatures in the region were as high as

115 degrees Fahrenheit (46 degrees Celsius).

They also said Iraq's resistance did not appear as fierce as Iraqi communiques might suggest. "Iraq would appear to have superiority in sheer numbers of tanks and so forth, but we can't see what good that has done them," an official said.

Basra, about 300 miles south of Baghdad, lies at the mouth of the disputed Shatt-al-Arab waterway, which is Iraq's only outlet to the Gulf.

Neither side provided casualty figures on the fighting around Basra, but an Iranian communiqué said Iraqi jets had attacked the cities of Khorramshahr, Ilam and Bahktaran in western Iran, causing "hundreds of casualties." Iraq, in turn, said Iranian aircraft had strafed residential areas and vital installations in Basra and Abu al-Kasib.

President Hussein declared on June 20 that he was withdrawing his troops from Iraqi-occupied territory in Iran, 10 days after Iraq

announced what amounted to a unilateral cease-fire.

Iran has so far rejected all cease-fire calls. It demands a total Iraqi withdrawal, \$150 billion in war reparations and the repatriation of 120,000 people who fled to Iran after they were expelled by Iraq.

The Iranian invasion was begun one day after Iran's envoy to the United Nations rejected yet another call for cease-fire, this one by the Security Council.

In Nicosia, Iran's new assault provoked uncertainty among delegates of the nonaligned nations, assembling to discuss the plight of Palestinians trapped by Israeli forces in Beirut. Officials of the Palestine Liberation Organization privately admitted fears that their case might be smothered in a welter of rhetoric and recrimination over the Iranian attack.

Middle East Reaction

In Amman, Jordan, King Hussein held a Cabinet meeting to discuss the Iranian drive into Iraq. The Jordanian news agency said King Hussein, Iraq's staunchest

supporter, has paid several visits to Iraq since the war started in September, 1980. Jordan has also sent volunteers to take part in the fighting.

The official Syrian media made no reference to Iran's offensive. Syria and Iraq have been at loggerheads for more than a decade. In April, Syria closed its borders with Iraq and stopped the flow of Iraqi crude oil across its territory.

Planes Raided Terminal

Iraq warned oil transporting companies not to approach Kharg Island, Iran's main terminal for oil exports in the Gulf, which it said its planes raided Wednesday. The Iraqi news agency quoted a military spokesman as saying the raid was in retaliation for the continued shelling of Iraqi civil and economic installations.

Warning oil companies to keep away from the island, the statement said, "Otherwise they will become, as from today, fixed and vital targets for our Iraqi Air Force aircraft."

## Analysts Differ on Iran's Prospects for Success

By Drew Middleton  
New York Times Service

NEW YORK — Intelligence analysts in Washington, London and several capitals in the Middle East have differing views over the Iranian prospects in their invasion of Iraq.

The view in London and Washington is that the Iranians are taking up where they left off in late May, when they swiftly and relatively easily recaptured the port city of Khorramshahr to cap an offensive that had rolled the Iraqi Army out of Iran. These analysts believe the Iranians will seize Basra and possibly move north toward Baghdad in the hope that this advance might suffice to unsettle Iraq's president, Saddam Hussein. That is one of Iran's objectives.

Other sources with a more intimate view of the two antagonists do not believe that Iran will have an easy time. One said that the invading army would face an entirely new situation.

The Iranians, he said, would be fighting in hostile country at the end of a long line of communications. He said he doubted whether Iran had the logistical resources to maintain four or five divisions far from its bases. Command and control of an army in enemy territory, he said, will be more difficult than it was when the Iranians were repelling an invasion.

The analysts generally agree that the Iraqi Army, fighting in defense of its homeland, is likely to be more aggressive and resilient than the tired troops who surrendered by the thousands when Iran launched its counteroffensive.

Under these conditions, the analysts say, some weaknesses in the Iranian military forces may begin to show.

The Iranian Army, as it is now constituted, is a mixture of regular soldiers, many of them veterans of the shah's army, and young Revolutionary Guards. The guards' human-wave tactics against Iraqi positions had much to do with the success of the counteroffensive. But so did the skillful use by the regulars and their young officers of the combined-arms doctrine utilizing armor, artillery and infantry.

Some analysts say they expect that the first severe check in battle will cause an eruption of the antagonism between the regulars and the guards that has been smoldering since the guards took their place in the line. In fighting in March, these sources said, the Iranians had the advantage of surprise and were spurred on by a revolutionary fervor to recover their lost territories.

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Neither of these two conditions would be present in an invasion of Iraq.

One of the unknowns is the state of the Iranian armored forces, and analysts say that any significant advance into Iraq would have to be made with armored forces. Even when fighting close to their own bases, the Iranians had difficulties maintaining their British Chieftain and American M-60 tanks.

Another problem for the invaders, the analysts say, would be Iraq's store of Frog-7 and Scud missiles. These have been used sparingly in the war thus far.

Finally, it is uncertain how many of the \$2 billion worth of weapons ordered by Iraq since the war began have been delivered. These include Roland missiles from France, Infantry fighting vehicles from Spain, light tanks from Austria and missiles from Brazil. French Mirage fighters also have been ordered.

In the event that a high percentage of these weapons have been delivered and troops trained to use them, Iraq's ability to rebut an invasion must be considered improved, analysts say. They say another consideration would be the probability that the Gulf countries would extend aid to Iraq.

## Lebanon Asks Israel, Syria, PLO to Leave

Cabinet Backs Proposal For Multinational Force

Compiled by Our Staff From Dispatches

BEIRUT — The Lebanese government declared Wednesday for the first time that it was seeking a withdrawal of Israeli, Syrian and Palestinian forces and the deployment of a multinational force to oversee a withdrawal of Palestinian guerrillas from Israeli-enclosed West Beirut.

The carefully worded declaration followed a three-hour Cabinet session at the presidential palace in suburban Baabda.

Earlier in the day, three Israeli jets flying in formation made several low-level passes over West Beirut.

Earlier figures for civilian casualties in Lebanon appear to have been exaggerated, Page 2.

Beirut, drawing limited fire from Palestinian guerrillas. An Israeli military spokesman said the planes were either on a reconnaissance mission or seeking "to create whatever disturbance they can."

U.S. and Lebanese mediation efforts remained deadlocked on how and where to evacuate the 6,000 to 8,000 Palestinian Liberation Organization guerrillas. Israel's state radio said Prime Minister Menachem Begin's government had decided to give the U.S. presidential envoy, Philip C. Habib, unlimited time to bring off a peaceful evacuation.

Informed sources said Wednesday that Yasser Arafat, the PLO



Israeli armored personnel carriers were lined up at the international airport outside Beirut as the cease-fire continued.

leader, had formally told Damascus that his organization would like to move to Syria if an agreement could be reached on evacuating guerrillas from Beirut.

The sources said the move was part of Mr. Arafat's efforts to break a deadlock in the Beirut talks.

The PLO reportedly has agreed to leave under certain conditions.

But Syria brought progress in the negotiations to a halt last Friday by saying that it would not accept the guerrillas.

Palestinian sources said they believed that Syria was ready to bargain. Political sources said the Damascus government might be willing to allow the guerrillas in, at least temporarily, in return for a certain concessions, such as per-

mission to maintain a Syrian military presence in eastern Lebanon and the granting of substantial financial aid from Saudi Arabia.

The cease-fire negotiated Sunday by Mr. Habib was still in effect Wednesday in Beirut, although both sides reported skirmishes. A large explosion Tuesday in central Beirut was reported to have killed one person and injured 40.

The military command in Tel Aviv said six Israeli soldiers were wounded Tuesday in an ambush nine miles (15 kilometers) southeast of Beirut near the Beirut-Damascus highway.

A PLO communiqué said guerrillas staged three grenade-throwing forays "behind enemy lines" late Tuesday, killing or wounding (Continued on Page 2, Col. 5)



PRESIDENTIAL GREETING — President François Mitterrand, right, congratulated President Reagan during a presidential greeting.

## Reagan Reassures Congress on Lebanon Force

By Paul Taylor  
Washington Post Service

WASHINGTON — President Reagan told congressional leaders Tuesday that conditions he has imposed on sending U.S. peacekeeping troops to Lebanon have not been met so far, and he assured them that he would not take such a step without full congressional consultation.

In a White House briefing intended to assuage mounting concern on Capitol Hill about U.S. participation in a peacekeeping force, Mr. Reagan also told the bipartisan group that, if troops were dispatched, it would be for "a very short action, a matter of a few days... not more than 30," according to Sen. Charles H. Percy, Republican of Illinois, chairman of the Foreign Relations Committee.

Sen. Percy and the others who attended the briefing session emerged applauding Mr. Reagan for his commitment to abide by the War Powers Act of 1973, which re-

stricted U.S. troops into a combat zone and urges him to consult "in every possible instance" before doing so.

They also said they were reassured by his expressed determination to proceed with extreme caution.

When the president said last week that he had agreed "in principle" to sending troops to Lebanon to assure safe passage of Palestinian Liberation Organization forces out of Beirut, he set forth these conditions:

- That the United States be officially asked by Lebanon to provide such a force.
- That all parties to the hostilities agree to any arrangement.
- That there be guarantees of the safety of the forces.

Sen. Percy said that Mr. Reagan had told the 15 congressional leaders that the conditions had not been met, and House Speaker Thomas P. O'Neill Jr., Democrat of Massachusetts, added, "I think

calmed fears on Capitol Hill of an imminent or surprise dispatch of forces, it did not produce any pledges from Mr. Reagan on the sticky question of whether he would make a report under the War Powers Act in a way that would skirt the 60-day time limit on deployment.

The better known provision of the act calls for a president to report to Congress when U.S. forces are introduced "into hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances."

A report made under that section commits the president to withdraw the troops within 60 days unless Congress declares war or adopts some other measure extending the time, or unless the president certifies that "unavoidable military necessity" requires an extension for not more than a further 30 days.

However, the next section calls for the president to report to Con-

gressors of a foreign nation, while equipped for combat."

This section gives the president flexibility to use U.S. troops in situations that he deems not to be dangerous and does not impose a time limit on him.

The deputy White House press secretary, Larry M. Speakes, said that Mr. Reagan was still uncertain which section he would use.

Critics of the proposal to send forces to Lebanon, led by Senate Majority Leader Howard H. Baker Jr., Republican of Tennessee, have objected to any role beyond an escort service for the PLO.

When Mr. Reagan first announced that about 1,000 Marines might go into Lebanon, he broadened the possibility that, in addition to guaranteeing safe passage, they might also "assist in the transition of authority to the Lebanese government in Beirut."

In Tuesday's meeting with the congressional leaders, however, he reportedly stressed that any de-

### INSIDE

■ When Belgian Premier Wilfried Martens announced his economic austerity program last February, there was widespread pessimism about its chances. Now, a degree of equally broad optimism is surfacing. Page 7.

■ China is displaying fresh irritation with the United States over what Peking feels is Washington's failure to bring about a quicker resolution of differences on Taiwan. Page 2.

■ President Reagan, striving to arouse support for his fading "new federalism," told an audience of 5,000 country officeholders in Baltimore that he has scaled back his original plans to shift vast powers to local governments. But he offered no details. Page 3.

■ British Home Secretary William Whitelaw has confirmed that efforts by Queen Elizabeth II to alert police to an intruder in her Buckingham Palace bedroom went unheeded at first. Page 3.

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# Estimate of 10,000 Civilian Deaths in Lebanon Now Seems to Be Far Too High

By David K. Shipler  
New York Times Service

**JERUSALEM** — More than five weeks after the Israeli Army invaded Lebanon and fought its way northward to Beirut, the number of civilian casualties remains unknown. The chaos of the warfare, the destruction of city neighborhoods and refugee camps, the haste with which bodies were buried in mass graves and the absence of impartial agencies gathering statistics have made an accounting impossible.

But it is clear to anyone who has traveled in southern Lebanon, as many journalists and relief workers now have, that the original figures of 10,000 dead and 600,000 homeless, reported by correspondents quoting the Beirut representative of the International Committee of the Red Cross during the first week of the war, were extreme exaggerations.

How the Red Cross arrived at such numbers is not known. Since communications between the south and Beirut were cut, and since there was no access to the area, no reliable estimate of the dead and homeless could have been made at that early stage.

But the figures were accepted, even by U.S. Defense Secretary Caspar W. Weinberger, who said in a television appearance June 20: "There are tens of thousands of people who have been killed and wounded now in Lebanon who had nothing to do with any side of this conflict."

The Red Cross later revised its estimate of the number of homeless to 300,000. Again, this seems much too high to those who have spent time in the region, but it is difficult to make a count. There are no huge encampments of refugees; most of the homeless have crowded into relatives' houses.

Israeli figures have also been unreliable. For more than a week after the invasion, the Israeli Army kept foreign correspondents out of the areas where the heaviest fighting had occurred, thereby creating a vacuum of information in which the exaggerations flourished. No statistics were released by Israel until June 22, more than two weeks after the invasion, when the Foreign Ministry, belatedly aware that the Red Cross figures had been widely accepted, issued

some numbers that seem to have severely understated the casualties.

The Foreign Ministry said that about 20,000 people had been made homeless and that 460 to 470 civilians had been killed and 1,600 wounded in the fighting. The deaths were listed as 10 in Nabatieh, 50 to 60 in Tyre and 400 in Sidon. Later, the figures were revised without explanation to 265 dead in Sidon and 56 dead in Tyre.

The Israelis stressed that they had dropped leaflets and broadcast warnings to the civilian populations of Tyre and Sidon and that many left before the attack, assembling on the beaches during most of the fighting. Furthermore, soldiers were instructed, when going into villages, not to shoot until fired upon, and troops say that these precautions cost some soldiers their lives.

Discussions with officials and residents of the cities tend to reinforce the Israeli estimates; the mayor of Tyre, for example, says 62 persons died there.

But the Israeli figures exclude the 200 civilians reported killed in air strikes during the two days before the invasion. They ignore West Beirut, which has been pounded by air and artillery attacks. They ignore the Palestinian refugee camps near Tyre and Sidon, where heavy fighting occurred, and where there is so much rubble that bodies may still be buried.

The destruction is so extensive in some of the camps, especially Ein Khilwe near Sidon and Bun el Shehail and Rashidiye near Tyre, that the Israeli Army tries to keep correspondents and other visitors out.

## Beatings by Israelis Alleged

**WASHINGTON (NYT)** — A Canadian surgeon said Tuesday that he saw two prisoners beaten to death by Israeli soldiers in a makeshift prison camp in Sidon and witnessed the dropping of cluster bombs on a refugee camp near his hospital.

Dr. Christopher Giannou, 33, who works for

the Palestine Red Crescent Society, described "savage and indiscriminate" beatings by about 40 Israeli soldiers after he and other members of the hospital staff were arrested and detained from June 13 to June 16.

"The physical abuse ranged from simple punching and kicking to beatings with wooden sticks, plastic hose, or even a bunch of pieces of rope with nuts and bolts tied to the ends," Dr. Giannou told members of the House foreign affairs subcommittee on Europe and the Middle East.

Nachman Shai, the Israeli press spokesman in Washington, denied the charges. He said Dr. Giannou "is suspected of belonging to a European terrorist organization, and he was arrested because of that. It was only because of strong pressure from Canada that we released him."

Dr. Giannou denied that he was a member of, or has ties to, any terrorist group.

He told the subcommittee that on June 11

near Ain el Helweh refugee camp in Sidon and on June 9 elsewhere in the city he "was a witness to about 400 killed in only a few small blocks . . . which is approximately three-quarters of the total deaths admitted to by Israeli authorities for the entire region of south Lebanon."

There has been controversy over the weapons Israel has employed in the conflict. Mr. Shai denied the surgeon's assertions that cluster bombs had been dropped near the hospital and that he had seen the bodies of victims of phosphorus bombs.

"We have not used phosphorus bombs at any time in this conflict," Mr. Shai said. He said cluster bombs had been used only in unpopulated areas.

In testimony before the subcommittee, Thomas A. Dine, executive director of American Israel Public Affairs Committee, a pro-Israel lobbying group, noted that the Palestinian Red Crescent Society was headed by the brother of the PLO leader, Yasser Arafat.

## Effect of Lebanon War On Israel's Economy Is Surprisingly Slight

By Norman Kempster

**JERUSALEM** — The effect of the war in Lebanon on Israel's domestic economy has been surprisingly small despite a mobilization of military reserves that stripped some companies of up to 40 percent of their manpower.

The minister of industry and commerce, Gideon Patt, said the nation's industrial output fell by about 8 percent in the first days of the war, which began June 6, but by the end of the month much of the lost production had been made up. For all of last month, he said, production slipped by 5 percent compared to figures for a year ago. "Ninety-five percent of the industrial production was in full gear," Mr. Patt said.

Throughout Israel, economic matters have returned to normal after dislocations early in the war. In Israel, beset by triple digit inflation, "normal" is always a bit chaotic but there have been no severe shortages and no noticeable hoarding.

After the first few weeks of the war, which is in its fifth week, the army began rotating reservists, sending home many of the men who saw combat duty in the early days of the conflict. The result minimized the impact of the mobilization on individual businesses.

Mr. Patt said that the initial call-up of reservists affected only about 15 percent of the industrial work force. But he said some companies — particularly those in the metals, electronics and construction industries that employ high percentages of men — lost between 30 percent to 40 percent of their work force.

Productivity rose substantially last month, Mr. Patt said. Workers who were not called into the army worked longer hours and performed more efficiently. And there were no labor disputes, a highly unusual situation in Israel, where strikes and worker sanctions are economic fixtures.

From a statistical standpoint, productivity usually increases when the size of the work force drops temporarily, especially if a business was originally over-staffed. "Some industries are over-

manned, no doubt," Mr. Patt said. Economists say that most Israeli firms hire more workers than they really need to make up for frequent reserve call-ups. Even in peacetime, most Israeli men up to the age of 54 are required to perform about 45 days of reserve army service each year.

The Israeli Army estimates the direct cost of the war so far at between \$1 billion and \$1.25 billion. Israel has imposed taxes that will yield about half that amount.

With inflation already running at more than 100 percent a year, the consequences of failing to cover the cost of the war through taxes or other means could be severe. Some analysts estimate that the rate of inflation could double, although Mr. Patt said this assessment is far too pessimistic. However, he conceded that the government will not meet its goal of reducing inflation below 100 percent this year.

## Officers Protest

**JERUSALEM (LAT)** — A group of 122 Israeli Army reservists, including 17 officers, accused their government Tuesday of waging an "unjustified" and "aggressive" war in Lebanon, a war they said could only lead to a "new cycle of conquest-oppression-repression."

Spokesmen for the reservists said the group appeared in a petition to Prime Minister Menachem Begin and Defense Minister Ariel Sharon to allow them to serve their active-duty time in Israel and not at the Lebanese front.

The Israeli reservists did not say they would refuse to fight if their appeal was rejected. Many of them have already served in Lebanon, although none is now on active duty.

Gadi Sternbach, 34, an artillery corporal, said he was called up on June 6, the first day of the war. He said his unit shelled Palestinian positions in Sidon, destroying much of the city's central square. "I don't think anyone in our unit had pride in those deeds," he said. Yehuda Meltzer, a philosophy professor at Tel Aviv University and a reserve sergeant, said the war is "aggressive, not defensive."



An Israeli crane lifts a Soviet-built Palestinian tank near Beirut's international airport.

## Spanish Ruling Party Picks Leader in Crisis

United Press International

**MADRID** — The ruling Union of the Democratic Center has elected Landelino Lavilla as chairman and handed him broad powers in an attempt to keep the party from crumbling.

Mr. Lavilla, 47, the speaker of parliament and handpicked candi-

date of the outgoing party chairman, Premier Leopoldo Calvo Sotelo, received 144 votes. There were 65 abstentions and 5 void ballots.

"I hope the crisis has ended well and not falsely," said Mr. Lavilla, who had run unopposed. Tuesday night's vote closed a heated two-day meeting of the party's political council.

Political observers saw no end to the bitter factional fighting that has whittled Mr. Calvo Sotelo's strength in the 350-member parliament from 168 seats to 149 in recent months. The party is a centrist coalition of Christian and Social Democrats, Liberals and Conservatives.

Parliamentary defections from the party's right and left wings and Mr. Calvo Sotelo's own resignation from the chairmanship 12 days ago were primarily triggered by staggering electoral losses in recent provincial elections. The victors were the Socialist Party and the far-right Alianza Popular.

With general elections to take place sometime before March, the leadership handed Mr. Lavilla sweeping powers to shuffle top party posts and "rejuvenate" the government.

Political analysts pointed to the large number of abstentions in Tuesday's vote and the absence from the debate of Adolfo Suarez, a moderate leader and former premier, as clear signs that Mr. Lavilla's victory was little more than a stopgap measure.

## Lebanon Asks Full Pullout

(Continued from Page 1)

15 Israeli soldiers and destroying a tank and an armored personnel carrier.

Beirut newspapers said Mr. Habib had frozen his negotiation effort pending the outcome of talks expected soon in Washington involving President Reagan, Secretary of State-designate George P. Shultz, Foreign Minister Prince Saud al-Faisal of Saudi Arabia and Foreign Minister Abdel Halim Khaddam of Syria, representing the Arab League.

Sources on both sides said they doubted there would be any progress in the negotiations for a PLO pullout until after the talks in Washington.

Beirut Radio said Wednesday that Mr. Khaddam was still in Damascus and that it appeared possible that he and Prince Saud would cancel the trip because of the Iranian invasion of Iraq.

## Islamic Meeting Canceled

**TUNIS (AP)** — A special weekend meeting here of foreign ministers from the Islamic Conference, called for by the PLO, has been canceled for lack of a quorum, sources said Wednesday. The meeting was intended to prepare for a summit to discuss the situation in Lebanon.

## Cosmos-1,387 Is Launched

**MOSCOW** — The Soviet Union on Wednesday launched Cosmos-1,387 to study the Earth's natural resources, Tass announced.

## Peking Fears U.S. Is Neglecting The Issue of Arms Sales to Taiwan

By Christopher S. Wren

**PEKING** — China is displaying new irritation with the United States over what Peking feels is Washington's failure to bring about a quicker resolution of their long-standing differences on Taiwan.

Peking appears concerned that the resignation of Secretary of State Alexander M. Haig Jr. and Washington's preoccupation with the Lebanon crisis may be undercutting its efforts to persuade the Reagan administration to end the delivery of aircraft and other weapons to Taiwan.

This unhappiness has become apparent in a succession of articles in the Chinese press in the past week.

The Chinese leadership also seems worried that conservatives in the United States are exploiting the vacuum created by Mr. Haig's departure to revive support for the nationalist regime on Taiwan. Peking insists that Taiwan is a part of its territory and that the United States accepted this when it established diplomatic relations with China.

## Articles Blame U.S.

The recent articles, which appeared in the People's Daily, the Beijing Review, the magazine Baoguan and the Journal of International Studies, all blamed the United States for the strains in relations over Taiwan.

Tuesday, the People's Daily devoted a full page to a reprinting of an article in the Journal of International Studies, which ostensibly reviews American attitudes toward Taiwan in the past 140 years.

The article, signed by Zi Zhongyun, was also circulated in full by the Chinese news agency, complete with 43 footnotes. It had already been excerpted in the two most recent issues of the Beijing Review. Such historical scholarship is employed in the official press to give more weight to the leadership's views.

Though Peking has not commented directly on Mr. Haig's resignation, there has been apparent unease over the departure of a man whom one Chinese editor characterized earlier as China's best friend in the Reagan administration.

The fear is that his successor, George P. Shultz, will concentrate on the crisis in Lebanon and other immediate problems, while neglecting the negotiations over the Taiwan arms issue that have gone on quietly through the U.S. Embassy in Peking.

On Monday the People's Daily accused U.S. conservative "diehards" of trying to undermine the talks and resurrect the old two-

China's policy. The Chinese news agency leveled similar accusations against the conservatives on Sunday.

Several Western diplomats in Peking have noted that with a crucial Communist Party congress planned for autumn, Deng Xiaoping may feel pressure from his own conservative critics to explain why his overtures to the United States have not brought about a halt of military sales to Taiwan.

This could prompt Mr. Deng to force a showdown with Washington on the Taiwan issue, the diplomats speculate, to protect other vulnerable aspects of his foreign and domestic policies.

## History of Relations

Tuesday's article in the People's Daily, reprinted from the Journal of International Studies, contended that the United States had coveted Taiwan since the 1840s but was too busy expanding across the American continent.

Japan's seizure of Taiwan in 1895 frustrated its designs and set the stage for the eventual conflict between the United States and Japan in Asia, the article said.

While the United States agreed that Taiwan would revert to China after the World War II, it later began looking for ways to control the island. The article charged that President Harry S. Truman used the Korean War as a pretext to send a naval fleet into the Taiwan Straits and prevent the island's reunification with China.

With American influence declining in the world, the article explained, "realistic U.S. statesmen" changed their policy and acknowledged that there was only one China and that Taiwan belonged to it. However, it complained, some American politicians pushed through the Taiwan Relations Act, under which the United States kept supplying military arms "which means that it is unwilling to stop its interference in China's internal affairs."

## WORLD BRIEFS

### 2 Somali Towns Reportedly Seized

**NAIROBI** — An invading force of Ethiopian troops and Somali dissidents has gained control of two Somali border towns after fierce fighting in the last few days, Western diplomatic sources in Mogadishu said Wednesday.

The sources said they had independent evidence that a force of 6,000 to 9,000 Ethiopian troops, along with a small contingent of Somali dissidents, was in control of Galdogob and Ballanbale in the Mudug region of central Somalia. The area borders the disputed Ogaden region of southeast Ethiopia.

Ethiopia Tuesday night denied involvement in the attacks and said rebels seeking to overthrow Somali President Mohammed Siad Barre were responsible.

### Bonn Law May Defy U.S. Embargo

**DUSSELDORF** — West Germany is considering a law that would enable its companies to ignore President Reagan's embargo on equipment for the construction of the natural gas pipeline from the Soviet Union, Economics Minister Otto Lambsdorff said Wednesday.

He said such a law may be necessary for the protection of West German firms, adding that "a signed contract must be kept." The Soviet Union signed an agreement with West German bankers in Leningrad on Tuesday for up to \$1.6 billion in credits to finance the export of equipment for the pipeline.

The first nation to move to sidestep the embargo was Britain, which has taken governmental steps to prohibit its firms from complying.

### Suzuki Orders New Economic Plan

**TOKYO** — Premier Zenko Suzuki told his advisers Wednesday to prepare a five-year economic plan to replace the 1979-83 program after two years in which growth has been well below the 5.1-percent average envisaged.

Meanwhile, the minister for international trade and industry, Shintaro Abe, said that, unless the economy was given a boost, growth could slump to about 2 percent in this fiscal year, which ends next March 31. The target for the year is 5.2 percent.

Mr. Suzuki said a new 1983-87 economic plan was necessary because of a change in the economic situation in Japan and abroad, a reference to the recession.

### Senior Greek Judge Quits in Protest

**ATHENS** — Greece's senior Supreme Court judge resigned Wednesday in protest over what he described as an attempt by the Socialist government to control the judiciary. It marked the latest development in the political controversy that has erupted following the government's appointment of a new leadership to the country's highest courts.

Aristophanes Tzouis, who was bypassed for promotion to president of the Supreme Court by a judge who was fourth in the hierarchy, said the action was an insult to him and undermined the country's democratic order.

The Socialist government last week announced several promotions and dismissals of senior judges, both in the Supreme Court and the Council of State, which is responsible for ruling on legal issues involving the state. George Mangakis, the newly appointed minister of justice, said the changes assure that the judiciary is now staffed by the democratic judges who are untainted by service under the 1967-74 dictatorship.

### 3 Cabinet Members Resign in Turkey

**ANKARA** — Premier Bulent Ulusu on Wednesday accepted the resignations of Turkey's economic czar, Deputy Premier Turgut Ozal, and two other Cabinet members, the government announced.

No reason was given. Mr. Ozal is credited with rescuing the Turkish economy from the brink of collapse. Reliable sources reported that Mr. Ozal's resignation followed the resignation of Finance Minister Kaya Erdogan.

By shrinking domestic demand, following a realistic exchange-rate policy and providing incentives to Turkish manufacturers and businessmen, Mr. Ozal and his hand-picked team were able to boost exports by 62 percent last year.

### Releases, Arrests Reported in Poland

**WARSAW** — Some interned Solidarity activists are being released, a government spokesman said Wednesday, but an underground union source said large-scale arrests are still taking place.

According to dissident sources, 40 to 60 prisoners were freed from camps last week, but some 2,000 Solidarity members are still being held at about 40 sites located throughout the country's 49 provinces.

"Individual cases of the release of internees took place and are taking place," a government press office spokesman said, while indicating that there are no immediate plans for a mass release.

### Wife Rebuffed on Visa, Russian Says

**MOSCOW** — A man who has been on a hunger strike here for an immigration visa said Wednesday that Soviet Embassy officials in Washington refused to talk to his wife when she sought a visa that would allow her to join him.

Sergei I. Petrov, 29, said the visit occurred Friday, the same day that Soviet officials announced in Moscow that he and Yuri Yelovnikov, whose wife also lives in the United States, would not be given visas to emigrate on security grounds but could be joined by their families.

## Mobutu Delays Visit; Belgium Is Relieved

The Associated Press

**BRUSSELS** — The postponement of the visit of President Mobutu Sese Seko of Zaire seems to have relieved Belgium at a time of new tensions with its former colony.

The official reason given for Mr. Mobutu's decision not to come to Belgium Thursday was the death of Gen. Bobozo Adurama, a former chief of staff and the most respected military leader in Zaire. A period of national mourning was

ordered, and Mr. Mobutu postponed his visit to Belgium.

Informed sources, however, hinted that the postponement particularly suited Belgian officials, who were increasingly embarrassed by the visit, which had come about on a misunderstanding in the first place.

A member of the Belgian government, on a visit to Zaire, had invited Mr. Mobutu but had not made the terms clear. The Zaire government announced that Mr. Mobutu would make an official visit to Belgium, which would include meetings with the king and government leaders.

The Belgian government, which had not intended to invite him for an official visit, quickly denied the announcement from Kinshasa, saying it was a private visit. Zaire threatened to call off the trip, and the Belgians invented a compromise, saying it would be a "working visit," which would include talks with the king and officials.

While these diplomatic maneuvers were going on, 13 members of the Zaire parliament were jailed for 15 years for trying to form a new political party. Belgium was outraged and felt this was a particularly bad time to receive Mr. Mobutu. King Baudouin reportedly wrote Mr. Mobutu that he would not receive him if the sentence against the politicians was not softened.

"The death of General Bobozo thus puts an end to a delicate situation for both countries," the Belgian newspaper Libre Belgique commented Wednesday.

The members of the Professional Air Traffic Controllers Organization were violating a federal prohibition against striking and, once they had been fired, very few were rehired. In this case, all a driver would have to do to win reinstatement is accept the flexible work schedule.

Moreover, the dismissed air traffic controllers were replaced by military traffic controllers and the U.S. air system continued to function, although at a reduced level. As part of its strategy to break this strike, British Rail plans to end service, which it says is essential to save money.

The Thatcher government has no plans to bring in the military to run essential rail services, officials said.

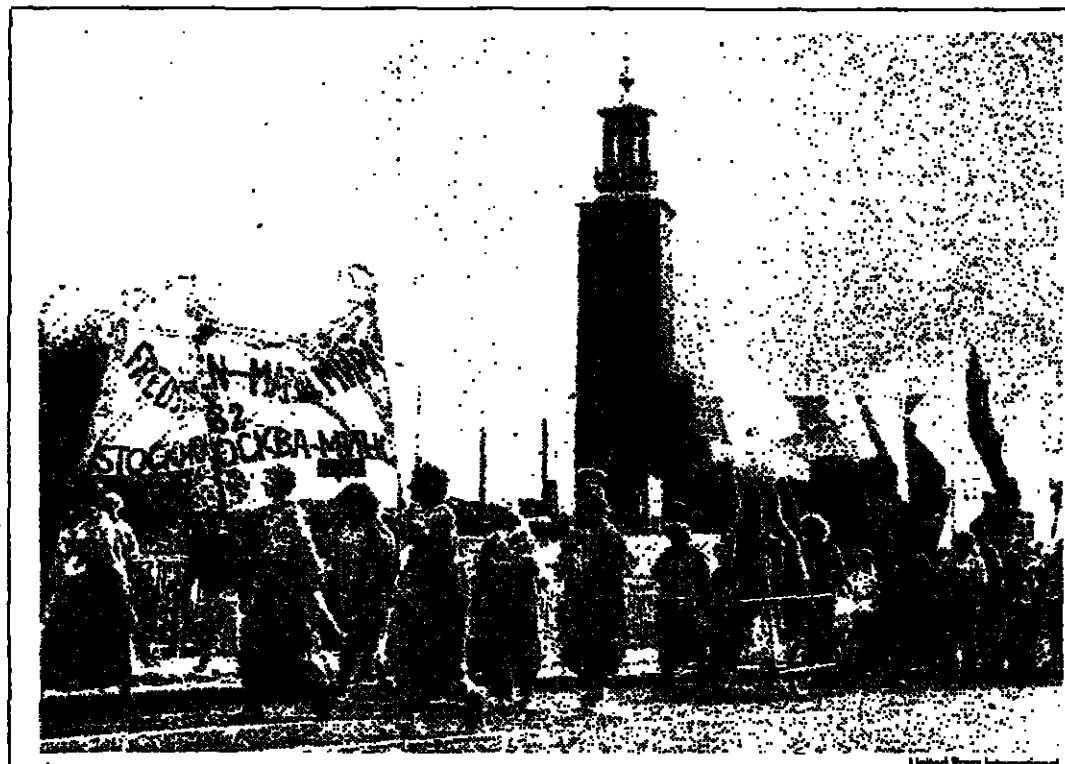
## Bonn Intercepts Computer Goods Bound for Russia

The Associated Press

**BONN** — West German customs officials made two seizures of American computer equipment last week after U.S. customs officials warned that the goods were being illegally exported to the Soviet Union, government officials said Wednesday.

The seizures were made in Frankfurt and at the Munich airport after the U.S. government informed the West Germans that it expected the equipment to move through the country and asked them to stop it, a Finance Ministry spokesman, Walter Prax, said at a news conference.

The announcement confirmed a report Tuesday by the U.S. Customs Service that American-built high-technology computers on the way to the Soviet Union were seized July 6 in West Germany. In Washington, William von Raab, the commissioner of customs, said four complete computer systems — 41 pieces of gear worth



Women peace protesters leaving Stockholm on their way to Minsk.

## Western Peace Marchers Head for Russia

United Press International

**STOCKHOLM** — Bearing banners declaring, "No to nuclear weapons East and West," the first Western peace mission to the Soviet Union has begun a journey to Leningrad, Moscow and Minsk hoping to create a popular disarmament campaign in the East bloc.

About 200 Swedish, Danish and Norwegian women boarded a ferry Tuesday for the first stage of the trip to Aabo, Finland, where they will board a train for the journey to the Soviet Union. They are due to arrive in Leningrad on Saturday.

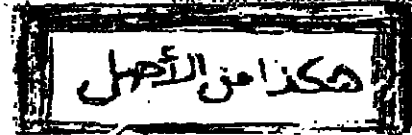
Eva Nordlund, one of the movement's founders, dismissed critics' fears that the demonstration may become a tool for Soviet propaganda.

Soviet authorities set strict conditions before granting permission for the trip, she said. The group was limited to 200 women, the slogans on the banners had to be agreed in advance, and no criticism of the Soviet Union was allowed. "They insisted we could only demonstrate against global problems. We will not be permitted to demonstrate if we criticize the Soviet Union," she said.

The Soviet authorities have promised that anyone along the route who wants to join the demonstration will be able to do so, "a member of the organizing committee said."

The women are expected to attend prearranged rallies in Leningrad and Moscow before ending the trip in Minsk.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.





## Reagan, in Speech to County Officials, Admits 'New Federalism' Plan Has Been Scaled Back

By Eleanor Randolph  
Los Angeles Times Service

BALTIMORE — President Reagan, driving to arouse support for his "new federalism" proposal, told 5,000 county officials here Tuesday that he had scaled back his original plans to shift powers to local governments.

However, the president did not outline details, as expected, of his plans to limit the powers of the U.S. government, reportedly because top aides could not agree on such difficult questions as how to deal with food stamp and welfare programs.

"Our people have lost far too much control over public policies that affect their daily lives," Mr. Reagan told the National Association of Counties, which greeted the president cordially, if not enthusiastically. "They no longer know who to blame when things go wrong."

The primary point still to be decided in the revised program is whether the president should withhold food stamp payments from the nation's major welfare program. Aid to Families with Dependent Children.

The White House and a bipartisan group of state and local officials have already agreed that the AFDC program should be turned over to the states, with the U.S. government keeping the food stamp program.

The question Mr. Reagan must decide is whether to impose a national food stamp level that would increase U.S. costs about \$3.8 billion annually. At present, Washington adjusts food stamp payments according to state needs, increasing money for food in areas where welfare payments are low, like Mississippi, and cutting aid for states like California that pay more to welfare recipients.

The president's "new federalism" program caused controversy among the county officials meeting this week in Baltimore.

Shortly before Mr. Reagan arrived, leaders of the group with their statements viewed as showing general support for Mr. Reagan's shift of power from Washington to local governments.

Association officials said that there had been indications that a floor fight would be launched against the pro-Reagan resolution. The group heard a denunciation

of the federalism plan Monday by Sen. David F. Durenberger, Republican of Minnesota, who called the president's plan a "smoke screen for repeal of the New Deal."

Although Sen. Durenberger said that the basic idea of a shift to the states was sound, he asked the group rhetorically: "Is private sector initiative a fig leaf to cover a lack of compassion?"

Mr. Reagan, who introduced his speech by saying "I didn't bring a fig leaf with me," was met with quizzical looks by an audience that apparently did not understand the reference to Sen. Durenberger.

After Mr. Reagan's speech, several members of the group said that they supported the president but were worried about whether states and counties would have the money and people to take on the jobs formerly held by the U.S. government.

**Chilly Reception**  
WASHINGTON (WP) — The Reagan administration's plan to end most U.S. aid to cities received

the same chilly reception Tuesday from Democratic congressmen that it has been given by mayors of those troubled cities.

Samuel R. Pierce Jr., the secretary of housing and urban development, said at a Joint Economic Committee hearing that the administration is not "abandoning our cities, as some claim" but "seeking new and better means to meet the needs of urban America."

But the committee chairman, Rep. Henry S. Reuss, Democrat of Wisconsin, charged that the plan rejects "the notion of liberty and justice for all as a national responsibility" contained in the Pledge of Allegiance.

Instead, he said, the administration's proposal to cut urban aid and shift responsibilities to state and local governments and the private sector reflects the "idea that each community is a financial law unto itself."

The hearings were the first in a series on the administration's National Urban Policy Report, its first statement under a law requiring an urban policy report be submitted to Congress every two years.



Michael and Ivy Fagan at their London apartment. Their son, Michael, has been charged with a Buckingham Palace burglary.

## Palace Police Ignored Alarms Rung by Queen

Compiled by Our Staff From Dispatches

LONDON — Home Secretary William Whitelaw has confirmed that efforts by Queen Elizabeth II to alert police to an intruder in her Buckingham Palace bedroom went unheeded at first, a Conservative legislator reported Wednesday.

John Wheeler, chairman of the Conservative Home Affairs Committee in the House of Commons, said Mr. Whitelaw told his committee Tuesday that the queen's alarm equipment apparently functioned but was ignored during the incident early Friday.

"There was a serious breakdown of discipline at the palace," Mr. Wheeler said. He said Mr. Whitelaw gave the impression that the police attitude was "It's that bloody bell again."

Press accounts also described the queen as furious over the police response to her alarms after the intruder had evaded 43 soldiers, 24 police officers, 350 members of the palace staff, dog patrols, surveillance television and electronic listening devices.

Mr. Whitelaw reportedly told the committee that the queen telephoned the palace switchboard and asked for a police officer to be sent to her apartment, but police did not respond immediately. The queen had to select her words carefully, for fear of alarming the man, The Daily Telegraph reported.

"Mr. Whitelaw said it was probably 10 minutes before police came," Mr. Wheeler said, quoting Mr. Whitelaw as saying he was appalled.

The Times of London said the policeman on duty outside the queen's bedroom was not at his post because he had gone for a cup of tea.

Meanwhile, The Standard said a device that should set off an alarm when an invisible beam along the palace boundary wall is broken

was located in such a way as to be virtually useless.

The invisible beam, placed about 15 inches (40 centimeters) inside the wall around the palace gardens and about two feet (60 centimeters) above the ground, would only sound an alarm if an intruder broke it while climbing down from the wall, the paper said. But, it added, a prowler was more likely to jump, landing up to three feet away from the fence and well clear of the beam.

The Standard said the armed police officer on guard outside the queen's bedroom went off duty half an hour before the intruder broke in, entrusting the monarch's safety to unarmed staff. This was apparently a daily routine, the paper added.

Press accounts said the queen awoke to find the intruder sitting on her bed clutching a broken ash-tray and dripping blood from a cut hand onto the bedcovers. The queen talked to him for approximately 10 minutes before she found an excuse to summon a royal chambermaid, who led the man away after exclaiming "Bloody hell, ma'am, what's he doing in here?"

Scotland Yard said Tuesday that one plainclothes officer had been transferred from the palace to uniformed duty elsewhere.

The alleged intruder's lawyer said his client had been inside Buckingham Palace "twice, no more." Despite press reports that he broke into the royal residence up to 12 times, the man has not been officially named.

Michael Fagan, 31, was charged Saturday with breaking into the palace a month ago and stealing half a bottle of wine. A government minister confirmed that Mr. Fagan was arrested again Friday, but no further charges have been placed.

## Tass Calls U.S. Study On Soviet Trade a Lie

Compiled by Our Staff From Dispatches

MOSCOW — A U.S. Commerce Department report that the Soviet Union has become more dependent on foreign trade is only an excuse for President Reagan's economic sanctions, Tass said Wednesday.

Tass said the U.S. claim that there is a dramatic imbalance in trade between Moscow and the West is "an obvious and crude falsehood."

"What all this boils down to is another attempt by Washington to rationalize its notorious policy of sanctions, which, as is commonly known, hits back more tellingly at the United States, not to mention its allies," the official news agency said.

Since Mr. Reagan last month extended economic sanctions against the Soviet Union, primarily as a result of the support given Poland's martial law regime, the Soviet press has carried daily criticism of the policy.

The Commerce Department report released Monday used new methods of calculating official Soviet statistics to show that the Kremlin's imports are equivalent to 20 percent of its national income. The market rate of the ruble was used in place of the official rate, which is considered inflated.

The U.S. report said that imports rose as a percent of Soviet national income from 9 percent in 1970 to 20 percent in 1980, and exports — excluding gold — rose from 6.5 percent to 7 percent of national income during the same decade.

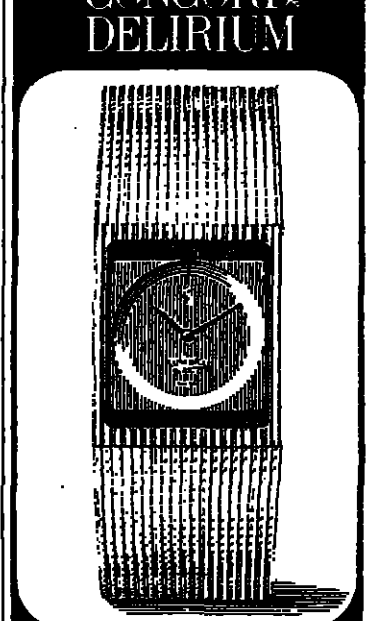
"Arbitrarily juggling figures, the authors of this 200-page report have drawn the conclusion that the Soviet Union is more dependent on Western imports than has been previously believed," Tass said, apparently basing its discussion on the official ruble rate, which is not used in international trade.

"According to official figures — not those made up in Washington — Soviet imports from industrial-

ized capitalist countries grew from the value of 2.5 billion rubles in 1970 to 15.7 billion in 1980 while Soviet exports to those countries rose from 2.2 billion rubles to 15.9 billion during the same period.

"In other words, Soviet imports and exports were growing and continue to grow hand in hand while the dramatic imbalance mentioned by the authors of the Washington report is entirely a figment of their imagination."

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## Senators Focus on Shultz's Links to Bechtel

By Michael Gehler  
Washington Post Service

WASHINGTON — Members of the Senate Foreign Relations Committee appeared to have only one area of concern Tuesday as they questioned George P. Shultz during his testimony on his nomination to be secretary of state: Would his associations with the huge Bechtel construction company affect his decisions about U.S. foreign policy?

The senators made it clear that they supported Mr. Shultz, a former Bechtel president, and had great respect for his abilities and integrity. But "the specter" of the powerful and somewhat mysterious Bechtel Group — with vast business interests in the Middle East, especially Saudi Arabia, and in nuclear power plant construction around the world — seemed to haunt the first day of confirmation hearings.

Senators repeatedly came back to the topic of Bechtel, whose business volume reportedly totaled \$11.4 billion last year.

Sen. Larry Pressler, Republican of South Dakota, wanted to know about Bechtel's activities last year in support of the decision to sell Airborne Warning and Control System equipment to Saudi Arabia and how Mr. Shultz would handle questions on nuclear proliferation in view of Bechtel's work on nu-

clear nuclear power and waste disposal projects.

Sen. Alan Cranston, Democrat of California, asked whether Bechtel had sought to undermine previous U.S. policy on restricting exports of nuclear technology.

**Boycott Role Questioned**  
Sen. Paul S. Sarbanes, Democrat of Maryland, wanted to review Bechtel's role in previous Arab attempts to enforce boycotts against firms doing business with Israel.

Sen. Joseph R. Biden Jr., Democrat of Delaware, asked how Mr. Shultz would feel if a sharp conflict developed between Israeli and Saudi Arabian interests.

While it is not unusual for senators to investigate the business backgrounds of future Cabinet officers, the questions about Bechtel have taken on greatly added interest because Mr. Shultz would become the third former executive of the corporation at the center of U.S. governmental power.

Caspar W. Weinberger, the secretary of defense, is a former Bechtel vice president, and W. Kenneth Davis, deputy secretary at the Department of Energy, also came from top positions at Bechtel.

Mr. Weinberger and Mr. Shultz have both advocated a more balanced U.S. policy toward the Middle East and have been critical at times of the Israeli government of Prime Minister Menachem Begin.

Mr. Shultz emphasized throughout Tuesday's questioning that he would not be influenced by past associations and has no apologies to make for his links with San Francisco-based Bechtel. He described the family-owned corporation as "a truly remarkable organization, astonishing in the range of its capabilities and impressive in the quality of its people."

He responded to all questions calmly and in detail, except when Sen. Cranston asked about letters from Bechtel's business-development manager, Joseph A. Damm, to Brazilian officials in 1975, a time when Mr. Shultz was Bechtel president.

**Attempt to Undermine**  
Sen. Cranston produced the letters and said they showed that there had been an attempt to undermine the effort by President Gerald R. Ford to stop West Germany from selling Brazil advanced nuclear technology with potential weapons applications.

Mr. Shultz replied: "I resent what I regard as kind of a smear on Bechtel. I think it is a marvelous, honorable, law-abiding company that does credit to our country here and all over the world."

Mr. Shultz said he had heard about the "incident" involving Brazil "long after the fact," and attributed it to "an over-enthusiastic business-development person."

Mr. Shultz also attacked what he called Sen. Cranston's inference that Bechtel had violated U.S. law dealing with an attempt by Arab countries to establish a boycott of Israel in the mid-1970s. Mr. Shultz said that was incorrect.

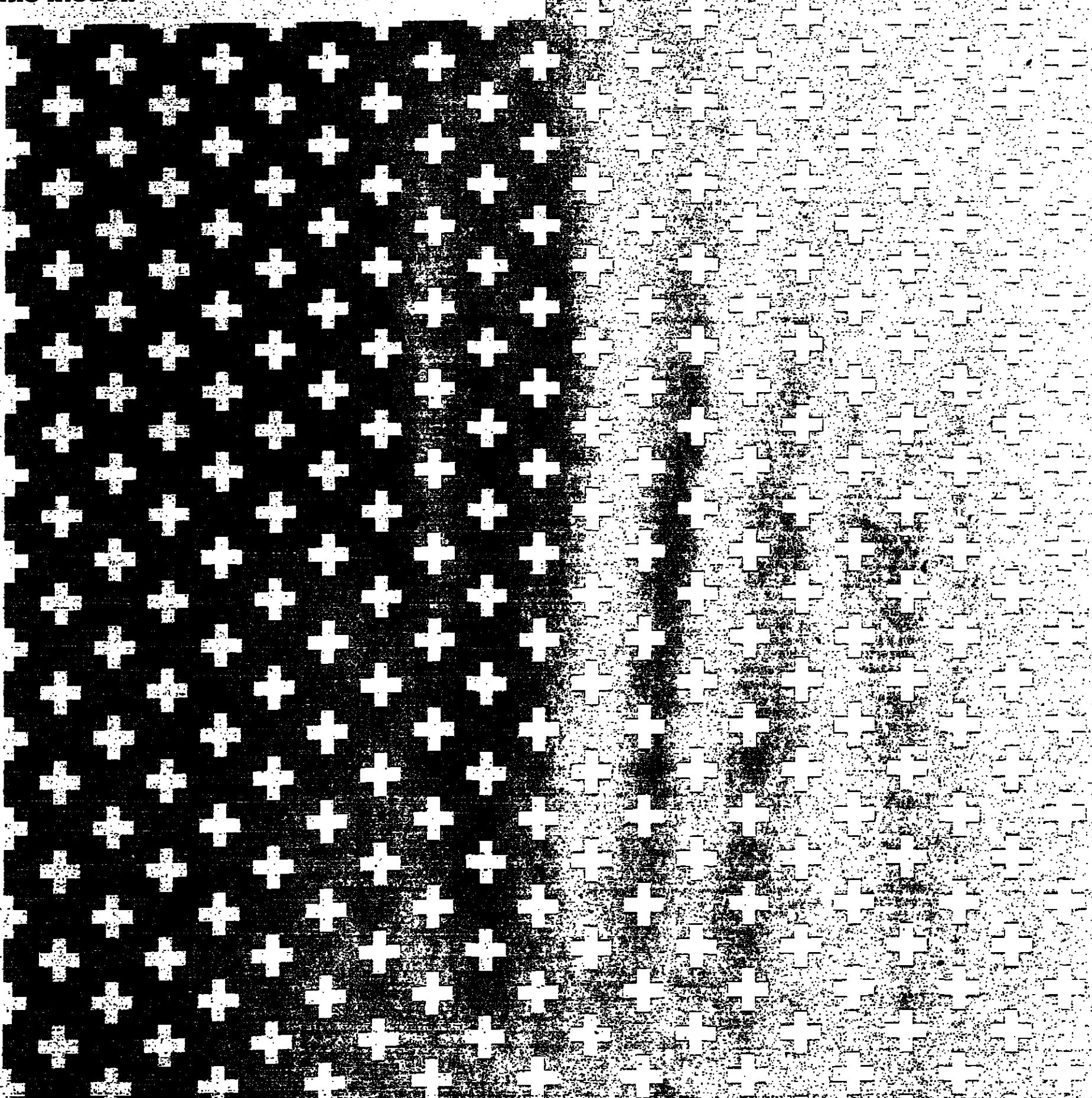
**AWACS Effort Defended**

Sen. Pressler referred to "allegations that your company lobbied for AWACS" and added that there was nothing wrong with that. Mr. Shultz replied that "not only was there nothing wrong with it, there is everything right about it."

Sen. Pressler asked if Mr. Shultz's background as head of one of the world's largest builders of nuclear power plants could influence his decisions on nuclear non-proliferation. Mr. Shultz replied: "If I'm not qualified to take part in discussions of nonproliferation, then I'm not qualified to be secretary of state and you want somebody else in this job."

Mr. Shultz said in his opening statement that if confirmed he would resign "from my officeships in all Bechtel entities. I will retire as an employee, retaining only vested rights to medical and insurance benefits and to assets already accumulated under Bechtel trust and thrift plans. I will sell, at a price determined by an established process, all my Bechtel-related investments."

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# Herald Tribune

Published With The New York Times and The Washington Post

## Iran's Larger Challenge

From THE WASHINGTON POST:

The war between Iran and Iraq is on the front page again. The conflict erupted in 1980 when Iraq invaded a seemingly prostrate Iran. Ayatollah Khomeini, harnessing the fanaticism of his youthful followers, repelled the invaders last May. Since then, Tehran has been preparing for the counter-invasion that it has now launched. Its troops are champing at the bit to take the Iraqis.

Iran's conditions are formidable: Iraq's vast oil reserves, Saddam Hussein, must go. Iraq must withdraw its forces from and its claims to all disputed territory, and it must pay immense reparations. These demands are sharpening a desperate debate among Iraq and the conservative Gulf Arabs over whether the Khomeini revolution must be fought or appeased.

In fact, Iran poses an immense triple threat to the oil-rich Arabs of the Gulf. It is the largest and — thanks to the late Shah — most developed and militarily dominant state of the region. The Persian-Arab ethnic rivalry has centuries of momentum behind it. As a result, the Ayatollah Khomeini is determined to purify, by its brand of Shiite fundamentalism, what it regards as the corrupt regimes of its neighbors.

The immediate target is Iraq, whose sub-

stantial Shiite elements and Kurdish and other minority separatists offer Iran tempting subversive possibilities.

After that, or so they have reason to fear, come the conservative Gulf regimes whose choice to stand with Iraq against "the enemies of the Arab nation" stirred Tehran's special wrath.

In May, the United States promised to join other nations in a more active quest for an Iran-Iraq peace. That was bound to be difficult, given Washington's poor relations with both countries. It was made all the harder by the war in Lebanon. Though there is no evidence of collusion between Iran and Iraq, each may see advantage in operating in the cover of the other's military moves.

In 1980, the United States, eager to put pressure on Iran to release the hostages, pressed itself "neutral" and said merely — permissively — that it "couldn't condone" an Iraqi grab. Now spokesmen, with an evident eye to Iran's strategic importance, again say the United States is "neutral." But the United States should not be practicing a discreet neutrality between aggressors and victims in a situation as clearcut and urgent as the one on the Gulf. U.S. influence had best be used to dissuade countries from aggression, to limit the scope of their operations and to bring their differences to a negotiating table.

## God Saved the Queen

From THE WASHINGTON POST:

The bad news is, we suppose, that security at Buckingham Palace is not very good, that the Queen of England (yet) was intruded upon by a stranger, that this trespass could have ended with a terrible crime. But so far as we know, the whole thing went fairly amiably, the queen is still queen and the enterprising fellow who sneaked his way into the palace and even into her room was removed to the care of authorities.

In the realm of security, police work and so forth, there are things the British do better than some, things they do worse and many, many things they do differently — or, as it seems, not at all.

They are awfully good at cracking into an embassy held hostage, for instance, at the kind of project that requires well-synchronized activity and a necessarily hard-headed commitment to prevail. This they undertake in a characteristically British spirit — that is, without a lot of fuss. And so, predictably, her majesty's subjects found Mrs. Ronald Reagan's heavy security complement during the wedding festivities last year to be a source of wonder, amusement and irritation.

The British, in other words, are far more casual-seeming about such things, less martial, less given to the screaming siren and the running-board-riding crowd. They seem to think that so far as security is concerned, more is less, and in some respects they are probably right. Experience in a thousand American office buildings and elsewhere on

the security front tends to suggest that there is only so much you can do, that the wrong person, occasionally decked out in bunny ears and an Abe Lincoln hat and openly carrying a submachine gun will get through the security guard, while the person carrying a take-out lunch will be stopped and fished for as long as it takes to ensure that the already tepid hamburgers and coffee will be thoroughly congealed.

We are not here to complain about those security people who protect the high and lowborn among us, day in, day out, whether at the White House or in the apartment house lobby. And we are not even going to make a big thing of the apparent casualness of the British apparatus that protects the royal family. No, what ultimately struck us — and we really — was the utter quietness, the absolute majesty, of the way in which Elizabeth II apparently dealt with the intruder. Cool, hospitable, polite. "How frightfully interesting. Would the visitor perhaps care for something to drink? A cigarette?"

He would and did care for a cigarette, and it was when her majesty sent for them that the security types were also summoned. But what style in between times. Victoria would have been proud. And Elizabeth I. But we do run on. Class tells, as the fellow said. And Providence cooperates. Someone up there, we cannot help thinking, is looking down fondly on the British this season. God save the Queen, they command, and of course (what could He do?), God did.

## Other Editorial Opinion

### Unease Over the Falklands

The de facto cessation of hostilities does not create a fully satisfactory situation for Britain. It should certainly not be portrayed as one which leads back normally to something closely akin to the status quo ante.

For a start Britain has to be wary of the unstable state of Argentine politics, with a new and untied presidency, a volatile political mood, and a society fuelled by the combustion of incipient economic collapse. There can be no guarantee that the lunacy which gripped the Galtieri junta will not re-emerge in some different guise while Argentina wrestles with her inner conflicts. The temptation to lash out again at the spectre of the "hostile neighbor" will be ever present. It will require vigilance by Britain until some freely constituted Argentine government has the courage and self-confidence to abjure war as an instrument of its Falklands policy.

— The Times (London).

### A Talk With the Queen

Just how that interloper made his way into Buckingham Palace and into the bedroom of Queen Elizabeth II is intriguing. But perhaps even more so is the question of just what the two talked about for 10 minutes.

We can only presume that in the first few minutes they mentioned how damp it was outside in those early-morning hours. Then on to an exchange of regrets over England's elimination from the World Cup and how lucky Italy was to win it. Maybe a few words bemoaning London's crime rate and how unfortunately easy it is for the bad sort to break in these days. After all, a woman's home is her castle.

When the intruder asked for a cigarette, the queen might well have launched into a brief lecture on the evils of tobacco. And, if his condition warranted it, perhaps a brief lecture, or at least a word or two, about over-indulgence in spirits. After about five minutes, it could have been time for a royal offer of a cup of Earl Grey or an intruder's request for a pint of lager and time.

After seven minutes, the queen might have been wondering why you can never find the household cavalry when you need it. And the vagrant, now deep into delusions of grandeur, was perhaps trying to determine why this woman was in his house.

After nine minutes, the queen's curiosity might have reached the point where she asked: "Who are you?" And it is possible that he replied: "Michael. And who are you?"

— The Los Angeles Times.

### Iran's Credible Threat

Iran's ever more credible threat to invade Iraq, and its aggressive posture at the recent OPEC conference, emphasize just how potent a force the regime in Tehran has become. Less than two years ago it appeared close to economic and military collapse as it wrestled with apparently irreconcilable internal conflicts. Now Iran is again emerging as a dominant force in the Gulf and one which poses major challenges to Western interests.

— The Financial Times (London).

### View From the East

Today the Soviet people together with the progressive forces of the world say a resolute no to Israel's banditry, no to U.S. dictation in the Middle East.

The aggressor and its patrons must be aware that it is impossible to destroy the Palestinian people, just as it is impossible to suppress their striving for peace and independence.

— Pravda (Moscow).

### China's Perspective

In the two superpowers' contention for hegemony, the first to suffer harm are the Third World countries.

This is true in Cambodia and Afghanistan, and Lebanon is another example. The Third World countries must unite and not allow the superpowers ever again to treat them as weapons test ranges.

— The Peoples' Daily (Peking).

## JULY 15: FROM OUR PAGES 75 AND 50 YEARS AGO

### 1907: Two-and-No-More Auto

PARIS — Automobiling up to now has been an expensive hobby. Even the smallest machine has been a species of "white elephant" for the ordinary specialist man; not so much on account of its first cost as its general upkeep. Where a saving has been possible so far as petrol is concerned, there has been an increased expenditure on tires; where tires have been cheap, there has been a constant output for gears and minor repairs. The Truffaut voiturette is a machine for two people and no more; to take on board a third party is to destroy the principle on which it has been built. It is a practical and simple contrivance for the man who does not place high speed above everything else.

### 1932: Professional Women

PARIS — The first board meeting of the International Federation of Business and Professional Women was held at the Paris headquarters of the organization, with representatives from 14 countries. Reports were read by Dr. Maria Castellani of Rome, actuary, who reported the growth of the federation in Italy from 8,000 to 16,000 members in the past few weeks; Antonietta Paoli-Pogliani, sculptress, of Rome, on the program proposed for the committee on fine arts; Dr. Marguerite de Munter-Latin, second woman to practice law in Belgium; and Dr. Marie Beth, of Vienna, on the bureau of information on conditions affecting business and professional women in Europe and America.

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## The Marines Can't Help Lebanon

By Ronald Steel

WASHINGTON — It is easy to understand why presidential envoy Philip C. Habib, beseeched by whatever passes for a government in Lebanon these days, wants to see the U.S. Marines in Beirut. Only they, he believes, can persuade what remains of the Palestine Liberation Organization to slip away to an unwilling exile, and an uncertain reception, in whatever "brotherly" capitals will offer a refuge.

One has no problem seeing why the Israelis also want this plan — so badly, in fact, that they leaked it to the press before President Reagan had a chance to change his mind. Though they have won a glorious victory, they are not quite sure how to hold on to it. Unless they can smash the PLO apparatus now cowering in Beirut's bunkers, everything that they have won so far could slip from their fingers. Unless Menachem Begin can justify the sacrifice of hundreds of Israeli soldiers, not to mention the thousands of Lebanese and Palestinians, his government could collapse under a tide of national recrimination and self-doubt.

For the Israelis, everything now hinges on getting the PLO out of Beirut and out of Lebanon once and for all. But if they have to do so by house-to-house fighting in West Beirut, the costs, both physical and moral, would be terrible. The PLO would be martyred, and the protracted spectacle of death and devastation could not only weaken Begin at home but also undermine whatever support the Israelis still have in the world after the last month.

No wonder Begin is so eager to see the U.S. Marines hit the beaches at Beirut and lead the PLO to some place from which it may never re-emerge.

It is understandable, too, that the idea should appeal to the White House, for both humanitarian and political reasons. For an administration so dedicated to the accumulation of military power, how irresistible to have the chance actually to use it. What is the point of being a global superpower if one is unable to project that power?

How frustrated the White House must be these days. For what is the lesson of the past few months if not the near-total irrelevance of American military power? Irrelevant in the Falklands dispute, irrelevant in the Iran-Iraq war, irrelevant in Poland and Afghanistan, and now irrelevant in Lebanon. Of what practical use is all that military power, all those billion-dollar aircraft carriers and the tens of thousands of atomic weapons? In what way have they influenced the course of events in these critical areas of the world? Their only use, as should long ago have been obvious, is to deter the other muscle-bound nuclear Goliath: the Soviet Union, whose paralysis is of the same order of magnitude.

Thus, the temptation of Ronald Reagan to follow the example of Dwight D. Eisenhower 24 years ago and send the Marines to Lebanon. That episode, one will recall, resolved little, but was harmless. Nobody was hurt, and once the Marines had landed, no one was quite sure what they were supposed to accomplish. They lingered a few weeks to sample the exotic delights of that most cosmopolitan city, then quietly left.

This time, we are not likely to be so lucky. If we do send the Marines, what assurance is there that the PLO will leave? Or that every one of its many factions will leave? Despite the defeat of their army and the devastation of their camps, the 5,000 or so hard-core militants who remain in Beirut are in a strong position. They know that as long as they can keep out of their bunkers, not the Israelis, and certainly not the Americans.

The PLO, or at least those who now speak for it, says that it may leave under certain conditions. But could Yasser Arafat, even if sincere, carry out such a pledge? What if he, or a dissenting subordinate leader, decides not to go once the Marines have hit the beaches? What if the PLO says "come and get us"? At that point, we either have an American war in Lebanon or we must withdraw our troops. What happens if they are fired on and some are killed? Do they fight back?

While the United States should help find an honorable exit for the PLO, the actual dispatch of an escort is a task better performed by nations far more neutral in this conflict. France has agreed to participate. Others, perhaps Norway or Sweden, should be encouraged to join.

Sending American troops could complicate, and even defeat, the critical role that the United States alone can now play. Military force has gone as far as it can. Even Gen. Ariel Sharon, Israel's defense minister, knows that the U.S. Marines can solve nothing. This is the time for the Israelis to make peace, to be magnanimous in victory, to appease the defeated — which is the only kind of appeasement that is worthy of a noble people.

But the Israelis cannot do this by

choice, George Ball an imaginative one. Have the emissary find out what kind of long-term settlement might be acceptable to both sides. Then reconvene Camp David — not for another interim settlement that is allowed to dribble away, but for one that would resolve the pathetic search of the Palestinian people for a homeland.

This means leading hard on the Israelis, as well as on the Arabs who have allowed themselves to become prisoners of the PLO and of those who use it for their own purposes. Sending the Marines will not serve that larger objective. Let others escort the PLO to exile. Let the United States use its unique position to prod the Israelis and the Arabs into an exit from their tragic impasse.

The writer is a senior associate at the Carnegie Endowment for International Peace and the author of "Water Lippmann and the American Century." He contributed this column to the Los Angeles Times.

## Reagan's Best Foreign Policy Play: Up the Middle With George Shultz

By James Reston

WASHINGTON — When George Shultz appeared before the Senate Foreign Relations Committee to be confirmed as secretary of state, one of the advisers at his side was Lloyd Cutler, counsel at the White House under Richard Carter.

In general, Shultz supported President Reagan's foreign policy during the hearings, including many of its excesses and stupidities — he could scarcely have been expected to do otherwise. But the presence of Cutler tells us something about Shultz's approach to his job: Namely that he recognizes that an effective U.S. foreign policy cannot be achieved by one party alone, or by a faction of any party, but only by cooperation among the leaders of both parties.

This has been the forgotten principle in the first half of the Reagan administration. Unlike Eisenhower, who seldom considered politics in his foreign policy appointments, and even Richard Nixon, who appointed Nelson Rockefeller's buddy Henry Kissinger as chairman of the National Security Council and then as secretary of state, Reagan has tended to be personal and partisan in his foreign policy appointments and judgments — probably not because he intended to be partisan, but because he just did not think much about it.

His appointment of George Shultz is quite different. Shultz has been around Washington long enough, and out of it just long enough, to know that foreign policy is too serious to be left to the foreign policy professionals, who, as the years go by, know more and more about less and less, or to the partisan politicians, who know less and less about more and more. But above all, Shultz knows that an

effective foreign policy requires a consensus.

Shultz did not take this approach in the first half of his administration. He blamed the Democrats for the plight of the economy and the menace of the nuclear arms race, and all our troubles in the Middle East. The Democrats have been tempted to answer in kind and make things even worse by turning his foreign policy failures to partisan advantage.

This, one gathers, is what Shultz is trying to avoid, for if the elemental struggles over the control of nuclear weapons, the Middle East and modern arms for Taiwan become partisan issues, the past will certainly dominate the future and nobody will gain except the Russians.

Sen. Daniel Patrick Moynihan, Democrat of New York, recently warned against the dangers of turning the puzzles of foreign policy into partisan issues, particularly the question of controlling nuclear weapons. "It is absolutely necessary," he said, "that this issue be raised above partisan politics. If it ever divides the parties and hence the people, we shall surely fail."

Shultz obviously agrees with this. He could not be expected to denounce Reagan's policies of selling some arms to Taiwan, or oppose the president's sanctions against allies who were selling American technology to complete the Siberian gas pipeline to Europe. But his enthusiasm for using economic sanctions for political objectives seemed to be somewhat limited in his testimony before the Foreign Relations Committee.

### Iran's Riddle

Regarding "The Forecasts for Iran Have Been Wrong So Far" (IHT, June 22): Steven J. Rosen says that the forecasts by "diplomats and observers" for the Iranian revolution have proved wrong. But he finds no lesson to be learned when he goes on to predict yet another non-eventuality, declaring that "if change is coming, it apparently will come from still more conservative Islamic forces than those now in power."

If the four cases he quotes are anything to go by, it should be deduced that the Iranian faction that can keep up the fight and face death with utmost bravery will be the more likely winner in the battle against Khomeini instead of those who have had to face defeats and humiliations after every assault by the Khomeini's regime — namely, the "more conservative Islamic forces."

Will these analysts never give up their wishful thinking and come to terms with the realities of Islam? DR. G.H. BAGHERZADEH, London.

### Iran's U.S. Oil Sale

Regarding "Ex-Hostages Protest U.S. Decision to Resume Purchases of Iranian Oil" (IHT, June 12): Fourteen former Iran hostages have protested the purchase of 1.8 million barrels of Iranian crude oil for the U.S. Strategic Petroleum Reserve. Would it be preferable to push Iran into the Eastern bloc?

LERMO TAMAYAH, Tehran.

### Argentine Wounds

Regarding "How Argentina Stabbed Itself in the Back" (IHT, June 19-20): That remarkable article by William Safire sums up neatly and accurately the inevitable outcome of the Falklands war. Let us hope the death of at

elections, in spite of its faults, is still the best form of government. The question is: Are the Argentine people politically mature enough?

G.R. HASTINGS, Brussels.

### Falkland Fallacy

Regarding "Britain Failed" (Letters, June 30): I. Noy-Meir obviously believes everything he/she reads but still does not read enough. Otherwise he/she would know that few Britons believe that the Falklands War was fought to save 1,800 people.

This may have been the official reason but far more important is the oil and mineral wealth of Antarctica. If Britain loses the Falklands her claims to her share of Antarctica will be undermined when the treaty of neutrality is reviewed in 1990.

When seen in this light the support of the EEC countries is easily understood too, don't you think? HELEN CRANFORD, London.

### Temporary Insanity?

What is most surprising about the Hinkley verdict is the narrow line which has been drawn between being guilty of murder or not. Had the bullet been lethal, he would have been found guilty of murder. Instead, end-of-months and money were spent in court, only for him to be excused on the grounds of temporary insanity. But were the 17 times he saw the film "Taxi Driver"? His obsessive love for a film actress, and his careful planning in his attempt to assassinate the president also temporary? AMINEH MCKELLIP, Monte Carlo.

### Wages of Freedom

Regarding "Shrinking Justice" by Russell Baker (IHT, July 7): Baker says the Hinkley case "seems to

## Arab-Jewish Hatred Thrives on Caricature

By William Pfaff

PARIS — It is nearly impossible to talk dispassionately about the Middle East, because nobody there is allowed to be what he truly is. Arabs and Israelis both are robbed of authenticity by propaganda, so that each now confronts not so much the other as a phantom from his own mind.

Jews experienced cruel caricature long before the Zionists settled in Palestine. Jews have had to survive Christian portraits of the Jew as Christ-killer, ritual murderer of infants, infamous usurer, agent of atheism, manipulator of high finance, political conspirator — indifferently revolutionary or reactionary.

The anti-Semitism of both Nazism and Soviet Russia drew upon that 19th-century anti-Semitism that produced the forged protocols of the Elders of Zion, themselves traceable to still earlier popular myths of Jewish-Masonic revolutionary conspiracy.

The established anti-Semitic libels of the West are repeated today by Arab polemicists, some of whom may know no better. Since 1948 they have been reassured as part of the Arab attack upon Zionism and Israel — together with the new libel of Zionism as agency of Western neo-imperialism.

The West obviously is responsible for Israel's creation to the extent that many European Jews as it could lay hands upon, and the others were content to solve the problem of the homeless surviving Jews in 1945-1948 at the expense of the Palestinians.

There was, as we know from wartime and postwar documents, no interest at all among the Western governments to see several million Jewish refugees and immigrants take up abode in the United States or Britain. There was active hostility to the idea.

But if the problem was to be settled at the expense of the Palestinian Arabs, it was convenient to all to pre-

tend that the Palestinians did not exist (just a few inconsequential Bedouins), or had misused the land and so deserved to be replaced by those who would make the desert flower, or were as bad as Nazis and hence deserved their fate. (They had resisted Jewish immigration — and the Grand Mufti, a religious leader during the mandate period, as well as many Jewish nationalists, had wanted the Germans to win the war, so that Britain would leave Palestine.)

Israeli governments have maintained that the Palestinians have no legal claim on Palestine. They say there is no Palestinian movement, only "PLO terrorists." The Palestinian prisoners taken by Israeli forces in Lebanon are refused prisoner of war status under the Geneva conventions and are held as civilian detainees, with Israel reserving the right to act against those whom it identifies individually as terrorists.

The invasion of Lebanon was not an invasion, according to Israeli authorities, but an "incursion." (They learned that from the United States, which "incurred" into Cambodia in 1970.)

For the Palestinians, there is no Israeli, merely Zionist, occupiers with neither historical claim to the land they hold, nor any practical claim deriving from a Zionist presence since early in this century. Attacks upon Israeli civilians are not crimes, but acts of Palestinian liberation. Israel must be dissolved. Recreate the Palestine that existed before the Zionists came, the Palestinians say, and they will have no objection to Jews in their country — Jews who are as they were in old Palestine: inconspicuous, unpolitical, and few in number.

Yasser Arafat and other "moderate" Palestinian leaders hint that they understand that any solution has to acknowledge Israel's existence — but they have never said say this out loud. For many of Mr. Arafat's followers, no such complicating considerations exist. Their goal is Israel's extinction. Now, of course, they confront the logical consequence of that commitment, their own extinction by Israel.

The two sides live on foolish and reductive views of the other. The anti-Arab prejudices widely expressed in Israel and in the West in recent years resemble the anti-Jewish libels of earlier years. The sinister attributions — treachery, greed, conspiracy, but — have been displaced from one Semite to another. Western newspaper cartoons of Arabs often make them gross-freighted and hook-nosed in the way Nazi caricaturists made Jews a generation ago.

Anti-Israeli polemics in the Arab countries ordinarily identify Israel with the accumulated injuries imperialism and colonialism have inflicted upon Islam. The Zionists it sometimes seems are responsible not only for Israel, but also for the Arab's disappointments with themselves — for the unhappy outcome of those hopes once held for the Arab's renaissance.

It is convenient for each side not to have to deal with recognizable humans on the other side. And it will be convenient forever, if they intend to fight forever — until the last Israeli and the last Palestinian (as a German survivor said of Verdun) "hobble out of the trenches on crutches to exterminate the other with pocket knives or teeth and fingernails."

To say this will change no one's mind in the Middle East, of course. It is possible, however, for Americans, West Europeans and others not directly committed to this struggle to make some difference. If the rest of the world would scrupulously refuse to tolerate caricatures of the two sides, and would insist that both be treated as human with legitimate claims, which unhappily are also contradictory claims, but which in the end must be compromised, it would make a small, but essential, contribution to the ascent of life over death in the Middle East.

The New York Times.

## LETTERS TO THE EDITOR

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for felons but for those who could be victimized by unjust accusation. Baker almost understands this when he goes on to say that he most undoubtedly be delighted with the "passion" of the law if he himself were wrongly accused. What he should be more delighted about is that he hasn't been accused. The passion of U.S. law for the rights of the innocent not only affords protection to the accused but assures the American citizen in the legitimate practice of his everyday affairs that he need not be concerned about being accused. He is free to do as he likes precisely because the passion of the U.S. law for the rights of the innocent is so formidable.

JEFF COVEN, Paris.

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have died and countless more fled or were forcibly evicted from their homes. He and his cohorts have acted in the worst traditions of warlords, commanding Lebanese cities, taking over their buildings, schools, hospitals, churches, mosques and worst of all their women. His ultimate act of depravity was dispersing his men and weapons amongst the remaining civilians, using them as human shields to hide behind.

Little wonder I witnessed the genuine relief and joy of both Moslem and Christian alike on finally being free of PLO subjugation in these cities. Life is rapidly returning to normal as the former ousted population returns to their homes.

MICHAEL BRADFELD, London.

### Boycott Israel



## Falklanders Recall a Growing Climate of Fear

By Mark S. Smith

The Associated Press

STANLEY, Falkland Islands — Although residents of the Falkland Islands say they suffered no physical mistreatment during the 10-week Argentine occupation, they report living in a climate of fear that got worse as their British rescuers approached.

They say that some panicky Argentine conscripts begged and stole food, looted and burned homes and shot blindly at noises in the dark as the British forces neared Stanley.

At first their behavior was very good, said Rex Hunt, who was the Falklands governor when Argentine troops invaded April 2 and who returned as civil commissioner after British troops recaptured Stanley on June 14.

"But as the British fleet moved south, they got rather more frightened. A number of the Argentine conscripts behaved badly," Mr. Hunt said. "There was quite a bit of looting. Islanders returning to their homes were absolutely aghast at the state the Argentines left their houses in."

Several houses, a recreation hall and a maintenance building were burned. Islanders say many homes were raided for food and some for valuables. Some residents reported finding excrement in their homes.

"Basically, the Argentines hid behind the population," said Harold Rowland, the islands' financial secretary and the top civil official left in Stanley after Mr. Hunt was killed by British troops.

"They set up their gun emplacements right next to people's houses. They stopped people at random on the street. I suppose they hoped to intimidate us. But eventually even the elderly people went smiling past the guards," Mr. Rowland added.

One of the first things the Argentines did after storming Government House on April 2 was to warn prospective troublemakers among the islanders.

Stuart Wallace, an employee of



Only ruins remain of one of the buildings burned in Stanley during the occupation by Argentina.

the Cable and Wireless communications company, recalled that on April 3 an officer warned him that his anti-Argentine views were known and that, in Mr. Wallace's words, "They had ways of dealing with people who made any trouble."

On April 27, the day after the British recaptured the Falklands dependency of South Georgia, Mr. Wallace was taken from his office by an Argentine officer who announced: "You are being taken to a rural destination and held there for your own safety."

Gerald Cheek, the islands' director of civil aviation, said soldiers showed up at his home that night. "They said, 'Get packed, you're going. I didn't know where,' he recalled. "They came in with pistols drawn. They threatened my two children, my wife."

Mr. Cheek, Mr. Wallace and 13 others were taken to Fox Bay, West Falkland, 70 miles (112 kilometers) west of Stanley, where they were held until the surrender.

At Goose Green, the Argentine crackdown came on May 1.

"At 7:15 in the morning, some British Harrier fighters ripped through ... blew their [Argentine] aircraft to pieces. All my dreams were realized, but it frightened the life out of the Argentines," said Eric Goss, settlement manager. "They ran down to the settlement, and by 7:45, we had all been turfed out of our houses."

"I had a seven-inch stiletto flick knife under my chin. Chaps went into my house and grabbed radios. One chap, I remember, had been drinking. He was screaming at me and smelling like an old rum barrel."

### 113 Sent to Hall

Goose Green's 113 residents were all ordered to a recreation hall, where they stayed, with minimal bedding and food and only occasional visits to their homes, until the settlement's recapture May 29.

Mr. Goss said looting was extensive at Goose Green, largely because Argentine draftees were ill-treated by their officers.

"The conscripts had to fend for themselves," he said. "So they just shot sheep and ate half-cooked mutton and came in raiding vegetables from the gardens every day and every night."

In Stanley, the looting was aggravated by the 4 p.m. curfew. The Argentines were afraid of the dark, recalled the Rev. Harry Bagnall. "If anything moved, they fired. Our timber buildings are no safeguard against that kind of behavior. Gradually we moved for curfew into stone buildings."

The final British assault on Stanley, with its artillery bombardment, was a frightening climax, islanders reported. Three women were killed when a British shell slammed into one house.

"We knew we couldn't be set free without some threat," Mr. Bagnall said.

Less than 48 hours later, white flags were fluttering over Stanley and the ordeal was over.



Eric Goss

the British in the Falklands arrived here Wednesday.

The British passenger ferry St. Edmund, reportedly carrying 593 Argentine officers, noncommissioned officers and troops, was greeted by top ranking government officials and military officers.

### Last of Argentines Freed

PUERTO MADRYN, Argentina (AP) — The last contingent of Argentine prisoners captured by

## 11 British Troops Hurt in Falklands When Jet Accidentally Fires Missiles

The Associated Press

LONDON — Two Sidewinder missiles were fired accidentally from a Harrier jet taking off at Stanley airfield in the Falkland Islands, injuring 11 British troops, some seriously, the Defense Ministry announced Wednesday.

One man's condition was described as very serious and another's was said to be serious. Some had limbs amputated.

An official inquiry has begun into the accident, which occurred early Tuesday.

In an incident described official-

ly as an "armament malfunction," both Sidewinder homing missiles from the Harrier were released. Harriers were converted to carry the missile during the Falklands campaign.

"A lot of concern has been felt about this accident. It shows there are dangers even in peacetime," a Defense Ministry spokesman said.

Meanwhile, three more ships of the British task force arrived home Wednesday, the landing ships Intrepid and Fearless at Portsmouth and the frigate Plymouth at Rosyth, Scotland.

## Vietnamese Rebel Claims Ties to CIA

The Associated Press

HANOI — Authorities presented the captured leader of a resistance movement at a news conference Tuesday and said he had confessed to receiving help from the CIA and Thai military leaders.

Vo Dai Ton, 46, speaking to reporters and diplomats at the International Club, said he and three others were caught in southern Laos in November 1981, while trying to enter Vietnam to gain information. When asked to name the CIA or Thai officials who had helped him, he said, "I will not betray any of the people who have helped or assisted me."

A panel of Vietnamese officials, headed by Le Thanh Cong, vice minister of culture, said Mr. Ton's confession was evidence of U.S.-Chinese plots against Vietnam, Laos and Cambodia.

## Rightist Challenging Kennedy for Senate Seat

By William Chapman

Washington Post Service

BOSTON — The logic of the situation. Republicans here are quick to say, is all on their side, as they aim for a seat in the U.S. Senate.

There is a conservative tide running. Ronald Reagan carried the state in 1980. A conservative Democrat is governor. A successful tax revolt by conservatives is behind them.

Their candidate, Raymond Shamie, is a conservative in the Reagan mold, a man of much energy and wealth, both of which he is heavily investing in his own campaign.

The logic ends there, bumping

## Gun Squad Slays Salvador Christian Democratic Aide

The Associated Press

SAN SALVADOR — Seven hooded gunmen killed a senior official of the Christian Democratic Party in the corridor of a provincial school, a party spokesman has reported. He was the 13th official of the party to have been slain in nine weeks.

The spokesman, who asked anonymity for security reasons, said the attackers intercepted Hugo Reynaldo Trujillo, a substitute constituent assemblyman, in a school corridor in Nueva Concepción Monday. Mr. Trujillo, 35, was regional director of state grammar schools.

The Christian Democrats hold 24 of the 60 seats in the Constituent Assembly, elected March 28 to write a new constitution and organize general elections, probably for next year. A loose coalition of four conservative parties holds a majority of 36 seats.

The Christian Democrats have issued a number of statements in the past blaming rightist killer squads for the killings. Party leaders have called for police investigations, but no one has been arrested.

## Southern Firms Selected To Refit Battleship Iowa

The Associated Press

WASHINGTON — The U.S. Navy announced Tuesday that it has picked two Southern shipbuilding firms to restore the World War II battleship Iowa for active duty and equip it for modern war.

up against the fact that the incumbent is a Kennedy and this is, after all, Massachusetts, where Edward M. Kennedy has won re-election with majorities of 72, 62 and 69 percent.

"He's the best candidate we ever had against Teddy Kennedy," said Gordon Nelson, a Republican national committeeman, in a burst of enthusiasm that others echo. "But it's the proverbial uphill fight — how's that for an understatement?"

### A Question of Money

Long shot that it is, the attempt to unseat Sen. Kennedy has aroused more interest than the previous fruitless assaults, partly because of Mr. Shamie's money and partly because national conservative organizations originally seemed likely to swamp the state with support to oust "Mr. Liberal" from the Senate.

What some envisioned as the great ideological contest of 1982 has not yet come to pass, however. The National Conservative Political Action Committee says that it has invested \$500,000 in an anti-Kennedy campaign, but it is conducting polls to see if spending more is worthwhile.

Mr. Shamie has sunk \$700,000 of his personal fortune into the effort, but he has not found as much financial help from like-minded

national political committees as he had hoped.

The Republicans are struggling to show that their man just might pull off the big one. Polls taken Mr. Shamie show a substantial increase in the number who recognize his name and a declining proportion wanting to re-elect Sen. Kennedy.

Still, the smart money is staying out.

The David in this battle with Goliath is an amiable, earnest, 61-year-old businessman who built a manufacturing firm from scratch and has turned to politics, he says, to make the country safe again for such enterprise.

Mr. Shamie's solution is more, not less, Reaganomics. Last year's personal tax cut, he thinks, should have been 35 percent instead of 25 percent. And not nearly enough "fat" has been cut out of the budget, he believes.

Mr. Shamie fervently endorses the Reagan military buildup. He is against abortion, gun control and

### 2 Killed in Crash in Greece

The Associated Press

PATRAS, Greece — An Olympic Airways helicopter crashed on a training flight near Patras, in western Greece, killing the pilot and copilot, a spokesman for the Greek carrier said Wednesday.

## Alma Hitchcock, 82, Screenwriter, Is Dead

United Press International

LOS ANGELES — Alma Reville Hitchcock, 82, screenwriter and the wife of the late director Alfred Hitchcock, died July 6. She was credited with writing such Hitchcock films as "Suspicion," "Shadow of a Doubt," "The Paradine Case" and "Stage Fright." Scripts she wrote for other directors included "The Constant Nymph," "After the Verdict" and "It's in the Bag."

### Heinrich Schnitzler

VIENNA (AP) — Heinrich Schnitzler, 79, director and theater historian, known for his work in Europe and America, died Wednesday. He was the son of Austrian poet Arthur Schnitzler, and much of his career was dedi-

### 5 Killed in Czechoslovakia

The Associated Press

PRAGUE — Five men were shot dead when a mine threw them

cated to staging and editing his father's work.

### Susan Littel

NEW YORK (NYT) — Susan Littel, 33, a British actress, died of cancer Sunday in London. She was nominated for a Tony Award for her sparkling comedic perform-

### Virginia Hall Goillot

BALTIMORE (AP) — Virginia Hall Goillot, 77, an American who worked as an underground agent with the French Resistance during World War II, died last Thursday.

## House Panel Approves Reagan's Plan For Anti-Castro Station, Radio Marti

Washington Post Service

WASHINGTON — Over the objections of the U.S. broadcasting industry, the House Energy and Commerce Committee Tuesday approved the Reagan administration's plan to set up a Spanish-language AM radio station in Florida to broadcast "the truth" about Fidel Castro to Cubans.

By a 24-18 vote, the committee agreed that the station — called

the station would affect radio stations in the United States.

The broadcasting industry has complained that Mr. Castro will try to interfere with Radio Marti's signal by setting up a far more powerful station on the same channel that could wipe out the signals of nearly 200 radio stations across the country.

A majority of the panel said that was unlikely because, in the pro-

## 1981 Report & Accounts:

### the number of individualists in the world is growing.

The increasing number of mass-produced, standardized cars leads inevitably to greater uniformity on our roads. However, this trend also creates an opposing desire for greater individuality. And this in turn improves the sales opportunities for those special marques, which fulfill this desire.

The extremely difficult past few years for the automobile industry demonstrate how manufacturers of exclusive products are less exposed to outside pressures, and can even experience a significant increase in demand.

BMW fits this description perfectly. In 1981 we were just as successful as in the preceding years. Thanks to the encouraging increase in demand by the more individualistic buyer, BMW improved its position in all the major markets of the world. In the U.S.A., and in the countries of the European Economic Community as well, we were among the most successful manufacturers of luxury cars.

And in 1981 we became the first western car manufacturer to establish its own wholly independent, subsidiary company in Japan.

So in the future BMW's position as one of the unmistakable alternatives will be even further strengthened in this market.

1981 was another good year for BMW. 1981 broke all previous records for the production and sales of BMW cars. With 349,000 units, sales were up a full 3% over the previous year. Exports increased by 6%. Motorcycle sales also rose by 11% to 32,500 units. Total company turnover increased by 18% to 9.5 billion D-Marks (4.2 billion US-\$).

Prospects look promising. Future developments show every sign of following the same pattern. And BMW will continue to implement its long-term investment program to consolidate and secure the future of the company. The fact that our capital investment is significantly higher than the industry average reflects the confidence we derive from the quality of our products, our on-going development projects, and the position we have achieved in the worldwide market.

The main thrust of our investment program is concentrated on the development of new products, new production processes, and on the continuous improvement of all operations. The theme throughout will be the consistent and comprehensive application of the most modern and advanced technologies available.

		1981	1980	Change %			1981	1980	Change %
Sales					Personnel				
BMW AG	DM mill.	7,822.1	6,898.5	+ 13.4%	expenditures	DM mill.	2,030.8	1,781.1	+ 14.0%
BMW Group	DM mill.	9,545.0	8,116.5	+ 17.6%	Balance sheet total	DM mill.	3,953.0	3,595.7	+ 9.9%
Output					Common stock	DM mill.	500.0	500.0	
Cars	units	351,545	341,031	+ 3.1%	Net worth	DM mill.	1,201.3	1,146.3	+ 4.8%
Motorcycles	units	33,120	29,260	+ 13.2%	Fixed assets	DM mill.	2,254.3	1,976.6	+ 14.0%
Car sales					Investment in				
Domestic	units	138,399	140,772	- 1.7%	tangible				
Foreign	units	210,547	198,460	+ 6.1%	fixed assets	DM mill.	815.6	738.9	+ 10.4%
Total	units	348,946	339,232	+ 2.9%	Depreciation of				
Motorcycle sales					tangible				
Domestic	units	10,963	9,933	+ 10.4%	fixed assets	DM mill.	473.1	330.1	+ 43.3%
Foreign	units	21,489	19,330	+ 11.2%	Net income	DM mill.	145.0	160.0	
Total	units	32,452	29,263	+ 10.9%	Dividend	DM mill.	90.0	100.0	
Personnel					per share of DM 50				
BMW AG		39,777	37,246	+ 6.8%	nominal value	DM	9.0	10.0	
BMW Group		44,648	43,241	+ 3.3%	%		18	20	

BMWAG



## ARTS / LEISURE

Montreux: Some Jazz  
And Milton Nascimento

By Michael Zwerin  
International Herald Tribune

MONTREUX, Switzerland — The Montreux International Jazz Festival opened last weekend with three successive houses sold out. Nine groups performed, only one of which played jazz.

The festival's director Claude Nobs defends his programming. "I put rock, reggae and Brazilian music at the front of the festival because I find that quite a few young people stay for another show. You bring them in, they discover some other, less commercial, music. For example they might come for Jackson Browne (July 18) and stay over to hear Dizzy Gillespie the following night."

Whatever the philosophy, it's not a "jazz" festival and it continues through July 25 with 10 university big bands as well as Rickie Lee Jones (July 16), Mose Allison (July 21), B.B. King (July 22), finishing with a gala Detroit night featuring the Modern Jazz Quartet.

First last Friday there was the Steve Miller Band with finely tuned, sunny Californian rock that was big in the 1970s but meant nothing to the Talking Heads fans who had come expecting some newer waves. Miller was hissed. The night never recovered. The earlier negativity seemed to jinx the Talking Heads, who never really got started.

Sunday opened with Oriental Wind, which plays fiery poly-rhythmical Turkish jazz filtered through the snows of Sweden, where its leader Okay Temiz now lives. They were more or less tolerated, both by the public and the festival staff.

Temiz was followed by Gilberto Gil, a talented Brazilian singer who now plays rampantly commercial Brazilian disco and seems intent on proving that even Brazilians can play bad music. The audience loved it. Finishing the night, Jimmy Cliff, the reggae star who calls himself a "prophet," played some Jamaican folk music that sounded as though it was being true to itself, if a bit predictable.

**Cry of Honey**  
Saturday night, Brazilian night, turned into a carnival and produced the weekend's unchallenged hero, Milton Nascimento, the charismatic Brazilian singer-com-

poser (who has a role in Werner Herzog's film "Encarnação") was born in the interior province of Minas Gerais, an area that was literally mined out by colonialism. He is black and an orphan and he sings of his origins with a sort of cry of honey. His music manages to be sad and hopeful at the same time.

He started his career as a crooner and bassist in cabarets. His music is a mixture of working songs, African sounds, Beatles and jazz time (he has recorded with jazz saxophonist Wayne Shorter). He sings of friendship, time passing and the basic sensations of life.

He is regal on stage, at a stool, at home singing the upper parts of the chords, with hands flying over the strings of his guitar. He does not move or dance and rarely smiles. Yet little by little you feel power building (he is like a jazz musician in this respect) and his music takes over without need of show-business shenanigans. He had the audience stamping, shouting and dancing and the confetti was flying.

Until now his audience has been mainly intellectuals and students, although his influence on other musicians has been enormous. Just as Nascimento is musically the son of João Gilberto, most younger Brazilian singers are his sons. They sing his songs (he writes only the music) and he has become rich on the royalties but has not yet crossed over to the mass audience as performer. His latest LP sold 300,000 copies in Brazil, however, and the industry is predicting that this will be his year.

In halting English, he explained the delay: "I think it was the fault of the radio and the record companies. People cannot know me if they cannot hear me. And yet at the same time I go to small towns and make concerts and there are never less than 5,000 people. And they all sing with me like last night. They say that people will not understand my music, but it's a lie. Because I am people too."

As a kid, with Wagner Tiso, still his pianist and an accomplished instrumentalist in his own right, he would listen to Bossa Nova on the radio. "Someone wrote down the melody and someone else wrote down the lyrics as fast as we could. . . . We had to create the harmony." In Rio, later, the other musicians couldn't understand what he was doing. "Everybody said, 'It's different but it's good. Okay, let's play it this way.'"

*Nascimento's tour: Oslo, July 15; Copenhagen, July 17, 18; Stockholm, July 19; Paris, July 21, 22.*



Milton Nascimento: "I am people too."

## 19 More Picked for Talent Awards

By Kathleen Teltsch  
New York Times Service

NEW YORK — A Chicago foundation that has been searching for "exceptionally talented" people named 18 men and one woman to receive tax-free awards ranging from \$24,000 to \$60,000 annually for the next five years.

The award program, initiated last year by the John D. and Catherine MacArthur Foundation, is intended to free the winners from economic pressures or other impediments in the hope that they will produce discoveries or make other contributions to society.

## Nonliterary Winners

So far there have been awards to 60 individuals, mainly scientists and scholars. However, the latest list for the first time includes individuals from the nonliterary arts: two composers, a graphic designer and a filmmaker. The foundation's officials promised they would continue to look for the gifted in other fields.

"The talent is abundant, the diversity so far is impressive and the dedication of each is clear," said Dr. John E. Corbally, president of the foundation. So far the foundation has provided \$14 million for the Prize Fellows Program, including \$4 million to cover the awards to the 19 new recipients. Another group will be named later this year.

One award went to Conlon Nanarrow, 69, the Arkansas-born composer who has worked in relative isolation in Mexico City for 40 years. Because he fought in the Spanish Civil War with the Lincoln Brigade, he was refused a U.S. passport on his return and so decided to live in Mexico. The 69-year-old composer will return to the United States for two musical events in his honor later this year.

**Other winners:**  
• Fouad Ajami, 36, a Lebanese-born specialist in Middle East affairs, who is associate professor and director of Middle East Studies, School of Advanced International Studies, Johns Hopkins University.  
• Charles Bigelow, 37, an expert in graphic design and typography who was trained in anthropological linguistics and is working on designing letter forms for Indian languages.

• Peter Brown, 47, a social historian of late antiquity whose works have been published widely. Born in Ireland, he is now professor of classics at the University of California at Berkeley.

• Robert Darnton, 43, a historian who is currently working on research on communication networks in 18th-century France. He is professor of history at Princeton University.

• Persi Diaconis, 37, a specialist in mathematical statistics who once trained as a magician and has combined these interests in scholarly publications. He is now associate professor of statistics at Stanford University.

• William Gaddis, 59, a New York novelist whose first work, "The Recognitions," was published in 1955. He is currently working on "That Time of Year."

• Ved Mehta, 48, Indian-born author who is a staff writer for The New Yorker.

• Robert Moses, 47, lived and worked in Tanzania and is a graduate student at Harvard University whose field is education. He was one of the organizers of the black voter registration drive in Mississippi in the early 1960s.

• Richard Muller, 38, professor of physics at the University of California at Berkeley.

• Alfonso Ortiz, 43, anthropologist, is a Tewa Indian actively involved in Native American affairs through organizations devoted to minority issues. He is professor of anthropology at the University of New Mexico.

• Francesca Rochberg-Halton, 30, has written extensively on the history of ancient science. She is currently at the Oriental Institute at the University of Chicago.

• Charles Sabel, 34, a social theorist who has specialized in the sociology of the labor market. He is assistant professor of social science at the Massachusetts Institute of Technology.

• Ralph Shapely, 61, composer of symphonic works and chamber music. He is professor of music and music director of the Contemporary Chamber Players at the University of Chicago.

• Michael Silverstein, 36, an anthropologist conducting linguistic studies, currently compiling a dictionary of the Wasco Chinook language of Oregon Indians. He is professor of anthropology at the University of Chicago.

• Randolph Whitfield Jr., 44-year-old ophthalmologist, was born in Georgia and is currently working on rural eye care in Kenya. He has written extensively on preventing blindness.

• Frank Wilczek, 31, a member of the Institute of Theoretical Physics and a professor at the University of California, Santa Barbara.

• Frederick Wiseman, 51, a documentary filmmaker at work on his first feature film.

• Edward Witten, 30, professor of physics at Princeton University.

## London Joys: 'Beggar's Opera' and 'All's Well'

By Sheridan Morley  
International Herald Tribune

LONDON — Taking its lead (and not for the first time) from the late Kenneth Tynan, who once noted that "Guys and Dolls" was "the 'Beggar's Opera' of Broadway," the National Theatre has now won the double. The director of that triumphant "Guys," Richard Eyre, and most of his supporting cast from that production are to be seen this summer on the Cottesloe stage in a staging of "The Beggar's Opera" that, orchestrally and scenically, strips away the accumulation of pretty-pretty rubbish that has beset this first-ever British folk opera over the last half-century. This is a cool,

crisp rendition that could well have come out of Joan Littlewood's theater workshop in the great days of "Hostage," a musical that in many ways it much resembles.

Curiously, the new small-stage production lacks all four of the "Guys and Dolls" principals but in their place there are a wealth of smaller-part players joined by Paul Jones as an unusually dour Scottish MacHeath, mercifully light-years removed from the swash-buckling Laurence Olivier of Peter Brook's first film. And the result of this B-team promotion is that a lot of people underused in "Guys and Dolls," not least the amazing Imelda Staunton (who manages to play Lucy Lockit like Bette Midler imitating Judy Holliday, no mean achievement) come into their own as musical stars.

Clues to Richard Eyre's thinking about "The Beggar's Opera" are neatly contained within Adrian Mitchell's compilation of program notes, which set up John Gay's lyrical grab-bag (songs are pirated from Handel to "Greensleeves") as the first-ever musical, and also subtly move it forward a century into the era of Dickens and Mayhew. That means two solid Stratford East traditions going for it already: the plundering of songs and a devotion to Victorianism. With an intelligent play-within-a-play framework — the whole story of theft and betrayal and bigamy is set in a doss house where the inmates are performing for the edification of top-hatted gentry — and John Gutter's cavernous, timbered setting, it adds up to a production of smoky, Hogarthian detail.

But Eyre's real achievement has been to steer this "Beggar's Opera" away not only from the frills of the Edwardian Lyric tradition but also from the Brecht-Weill variant as well. This is no more a Brechtian production than Eyre's stage "Guys and Dolls" — it simply allows the songs to arise naturally from the dialogue, gives them their due but no more, and then allows the plot to continue on its cynical, downbeat way. In a strong cast, Harry Towb and David Ryall manage a wonderful double-act as the two corrupt father figures, and Irin Hall is a mountainous Mrs. Trapes.

To the Barbican from last winter at Stratford has come Trevor Nunn's enchanting "All's Well That Ends Well," although in promoting Philip Franks to the key role of Bertram (in place of a curiously absent Mike Gwilym) it would have been tactful if the management had removed his name from the program's understudy list. But the delight of this production lies in its senior casting: Peggy Ashcroft as the count-



Paul Jones as MacHeath in "The Beggar's Opera."

ess, Robert Eddison (the actor with the most melodious voice in the British theater, Gielgud notwithstanding) as Lafen and Griffith Jones as the gentleman all give vintage performances of a kind that have for too long been absent from the RSC in its headlong flight to youth.

Like the late Tyrone Guthrie in his 1959 Stratford revival, Nunn also assumes that "All's Well" needs a considerable amount of stage help: which leaves the production somewhere between "The Cherry Orchard" and "Oh, What a Lovely War" and filled with star turns, not least Cheryl Campbell playing Diana as a World War I café chanteuse and Stephen Moore as the Parolles against which all others in our lifetime will have to be measured — a marvelous mix of braggart and tragic buffoon — whose subplot unexpectedly takes over and controls the whole of the second half of the evening. John Franklyn-Robbins may lack the absolute monarchical control to get us through the "proud scornful boy" speech and the longest wrap-up in Shakespeare, but elsewhere the balance is just about perfect, not least in Harriet Walter's understating of Helena as the great martyr-bitch.

And while she is away at the wars with the menfolk, back home in Roussillon waits the countess in a Chekhovian twilight; Peggy Ashcroft's lyrical, unusually maternal performance manages with rare perfection to highlight Nunn's re-

U.S. to Place  
New Curbs on  
Student Visas

The Associated Press

WASHINGTON — Abuse of the visa program for foreign students has prompted the U.S. Immigration and Naturalization Service to announce its intention to impose blanket recertification on hundreds of schools among a large set of new rules.

Speaking for the agency, Janet Graham said Tuesday that the abuses include violations of restrictions by the students, estimated to number up to 350,000, and the improper issuance of official forms by the schools.

The proposed new rules, published along with the recertification proposal in the Federal Register last May 28, would place more responsibility for keeping track of foreign students on the schools.

Among other things, schools would report each new foreign student and give the agency access to the student's files.

During the hostage crisis in 1979, public attention was focused on Iranian students who staged noisy anti-U.S. demonstrations. This prompted President Jimmy Carter to order a crackdown on Iranian students who were not abiding by the visas that allowed them to study in the United States.

The immigration agency announced plans as early as 1980 to draft rules that would impose more control on foreign students. Recertification of all schools admitting foreign students would not be started until the agency begins enforcing the entire new set of rules. A time schedule was not announced.

The new standards are designed to apply to all foreign students, including those in academic and vocational programs from elementary school through the university level. However, the greatest impact would be on colleges and universities.

The agency said recertification also is needed to update its files and make sure the educational institutions are aware of immigration regulations.

U.S. House to Investigate Charges  
Of Drug Use, Sexual Misconduct

By Steven V. Roberts  
New York Times Service

WASHINGTON — By a vote of 407-1, the House of Representatives has authorized an investigation into accusations that some congressmen and their aides have used illicit drugs and engaged in "improper or illegal sexual conduct" with teen-age pages.

Rep. Henry B. Gonzalez, Democrat of Texas, cast the sole vote against the resolution Tuesday. He has said he opposes the action as a matter of principle.

The investigation will be conducted by the Committee on Standards of Official Conduct, commonly known as the ethics committee. The House resolution gives the committee the power to issue subpoenas and compel testimony under oath. If the panel turns up any violations of House rules, it can recommend that a lawmaker be censured or expelled.

"The committee intends to move in an orderly and efficient manner to obtain all the information needed to fulfill the constitutional duty delegated to us by the House to investigate these serious charges," said Rep. Louis Stokes, Democrat of Ohio, who heads the panel.

## Other Investigations

The accusations, made by former pages, are also being investigated by the Justice Department, local police and a federal grand jury. Rep. Leo C. Zeferetti, a New York Democrat who heads the Select Committee on Narcotics Abuse and Control, said a special federal study group would be appointed Wednesday to coordinate those investigations.

In authorizing the ethics panel investigation, the House rejected suggestions that a special prosecutor be chosen.

In recent weeks, federal investigators have disclosed accusations that some congressmen and their aides have used or distributed illicit drugs, such as cocaine. Rep. Robert K. Dornan, a California Republican who is familiar with

the probe, said Tuesday that the "core group" being investigated included six congressmen, a senator and two former congressmen. He did not name them.

The charge that some congressmen had sexual relations with pages — high school students who run errands for lawmakers — comes mainly from two male former pages. One of them claimed to have had direct knowledge of homosexual incidents failed a lie-detector test. Investigators say that all those named by the page, Leroy Williams Jr., 18, of Little Rock, Ark., have denied the allegations.

## Exaggeration Seen

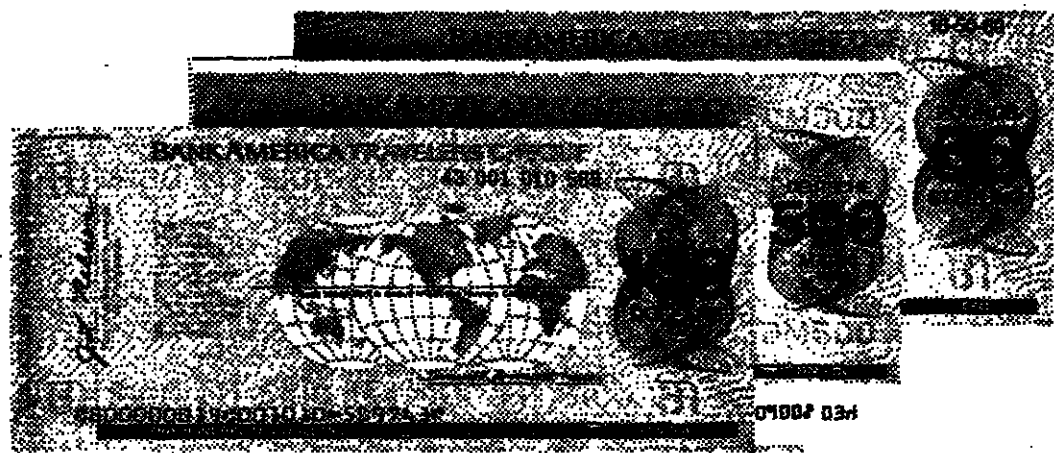
The potential scandal emerged when most legislators were on vacation, and Tuesday was the first chance for many of them to discuss the issue with their colleagues. The consensus is that the drug charges are more substantial than those concerning sexual misconduct, but many lawmakers feel the whole matter has been exaggerated in the news media.

One of the major issues of debate on Capitol Hill is whether the use of an illegal drug should subject a legislator to prosecution. Normally, law enforcement agencies focus on drug suppliers and distributors. "What we're doing here," noted Rep. Bill Alexander, Democrat of Arkansas, "is raising the issue of whether congressmen should be better than the rest of society."

But at an informal meeting of the panel on narcotics abuse, most members said congressmen should be held to a higher standard and prosecuted for use or possession of illicit drugs.

While many legislators are angry at the news coverage of the issue, they are also reluctant to speak too openly, too soon.

"The problem is that we've been burned in the past," said a senior Republican lawmaker. "So, we're very reluctant to step out and say this is overblown. We can't argue against the validity of the charges until we check them out."



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John McLAUGHLIN and the Translators
- 16: Ray BARETTO - 17: MANU DIBANGO
- 19: SHAN GETZ - 20: SUN RA ARKESTRA
- 23: ZAKA PERCUSSION - M'BAMINA - GABO-VERDE
- 24: XALAM - 25: CARLA BLEY



INSIGHTS

# Will Belgian Austerity Bring On Prosperity?

By Axel Krause

**BRUSSELS** — Shortly after Belgian Premier Wilfried Martens announced his economic austerity program last February, protest strikes erupted in depressed industrial areas and immediately triggered widespread fears of its failure in banking and business circles.

The measures announced by Mr. Martens, who is operating with special powers granted by the parliament through the year's end, devalued the Belgian franc by 8.5 percent, severely cut payments to workers under the nation's controversial wage-adjustment system, and froze consumer prices while providing tax incentives for business investment.

There is now widespread agreement among business, banking and union leaders that Mr. Martens' program — backed by his center-right coalition — is beginning to take hold on the small nation's recessionary economy. However, the leaders interviewed last week also are debating whether or not the program will ever succeed in curing what a leading industrialist termed "le mal Belge" — our version of Europe's crisis, only worse.

Like its neighbors, Belgium has not yet denied growing unemployment, sluggish growth or soaring deficits, nor has it attracted substantial new investment. Indeed, the Belgian economy is performing very poorly compared to most other industrial nations, notably in reducing the jobless rate.

Last week, the Organization for Economic Cooperation and Development predicted Belgium's jobless rate next year would rise to 13 percent, the highest unemployment level among major industrialized nations.

"Belgium still is not in good shape, but they have taken our advice and of others to reform — now there is some light at the end of the tunnel," said Etienne Davignon, commissioner for industry and energy in the European Economic Community.

## Austerity Urged

Mr. Davignon, who is Belgian, noted that the EEC and other international bodies have regularly urged Belgium to adopt austerity measures, including substantial cuts in the government's chronically high budget deficits, which in 1982 will average roughly 13 percent

of Belgium's gross national product compared with rates averaging less than 5 percent in France, West Germany and the United States.

"We are not extremists in our approach to austerity, since the goal is recovery, investment and political stability," Mr. Martens said. He likened his approach to similar austerity programs of West Germany and Britain.

The 46-year-old leader, who has headed five of six coalition governments since 1979, said the challenge in making his program work successfully is the greatest in his career.

"If we do not succeed, the risks to our stability will be greater," Mr. Martens said, referring to widespread fears that if the government fails to promote recovery, leftist unions currently going along with the government will again launch protest strikes, which could paralyze the economy.

"Like Germany and unlike France, we have the unions with us — for the time being," Mr. Martens said.

## Continuing Tensions

Also hanging over Belgium's future are continuing tensions — but no immediate crisis — caused by the split between the Dutch-speaking region of Flanders and the French-speaking region of Wallonia. Respectively, they account for 56 percent and 32 percent of the nation's 9.8 million inhabitants. Those remaining live mainly in bilingual Brussels, which has a French-speaking majority but is situated in the Dutch-speaking area.

"The No. 1 headache in this country is the economy — right now it is in horrible shape and everything here stems from that," said the senior executive of a leading U.S. multinational based in Brussels, who declined to be identified.

"It is difficult to predict if Belgium will split into its two historical parts, and pressures could also build on that issue if Martens fails, but he seems to have his act together and there are some hopeful signs," the executive added.

Some of the signs noted by Belgian leaders and outside experts include:

- Falling wages, averaging 4.5 percent nationally, caused primarily by cuts in the substantial benefits paid under the indexation sys-

tem. The cuts will remain in force until Dec. 31.

- Rising productivity, with a gain estimated by some leading Belgian bankers to approach 5 percent this year compared to around 3 percent for most other EEC countries.

- Expanding exports, which next year should help reduce Belgium's chronic current-account deficit to 3 percent of its gross national product from the current level of just over 6 percent, according to the OECD.

- Gradually rising industrial production, which began last year and is expected to average a 2.5-percent gain this year, nearly doubling during 1983.

- Willingness by leading U.S. and Japanese banks to underwrite \$1.2 billion in seven-year credits to Belgium, half of which were arranged by Finance Minister Willy de Clercq during a U.S. visit last month.

Citing what he termed a "radical change of the psychological climate in Belgium," Mr. de Clercq told U.S. bankers and businessmen in Los Angeles and San Francisco that "confidence has been restored and this will, more than anything else, contribute to the economic recovery."

Although business leaders in Belgium generally agree with that assessment, some grumble that Mr. Martens' program does not go far enough. "For companies, the measures go in the right direction. Not as far as we would have liked, but it was a good step... the economic recovery of Belgium is under way," said Daniel Janssen, president of the Belgian employers' association, which groups 60,000 of the nation's businesses and banks.

## Seeking Commitment

Mr. Janssen and other business leaders are seeking continuing commitment by unions to restrained wages and adherence by the government to promises of reduced public spending. They also want to reverse the continuing decline of private investment in Belgium, which is expected to average around 15 percent in volume this year.

None of these problems will be solved easily or soon, Belgian leaders agree.

"The only significant spending by Belgians here is being done by the government, since confidence for investment has not yet been established," said the president of one of Belgium's leading banks. "Lots of capital has, however, left this country for the United States and Asia. Perhaps with confidence restored, some of it will return."

## Budget Cuts

Meanwhile, the Martens government is working on a draft 1983 budget, whose deficit they are determined to cut to around 10 percent of the gross national product, said René Mardaga, head of the government's planning agency. Mainly, this will be done by cutting government spending, including subsidies and other forms of aid to industry that last year came to 10 percent of the 1.4-trillion-franc (about \$30 billion) budget.

"The unique problem we have is that the state debts have been cumulative and the growing plus high interest rates create a continuing heavy burden," added a senior Finance Ministry official, emphasizing that interest and unemployment payments are the two fastest-growing items in the budget.

Complicating the budget cuts, government planners said, is that the nationalized Belgian railroad and several local tramway companies, for example, recently announced that they could no longer pay suppliers, probably meaning additional federal subsidies.

The planners said that they will use the occasion to force more cost cutting, including wages. "We recently forced through wage cuts at Sabena [Belgian World Airlines] of around 17 percent. We must make more savings of this kind elsewhere, since we cannot afford bailouts any longer," the Finance Ministry official said.

Union leaders in Belgium are not exactly euphoric about Mr. Martens' program, but they appear conciliatory. "I wished another political party had put through this program, but a majority of our members have accepted it, these sacrifices," said Jef Houthis, president of the Confederation of Christian Labor Unions, the nation's largest with 1.3 million members.

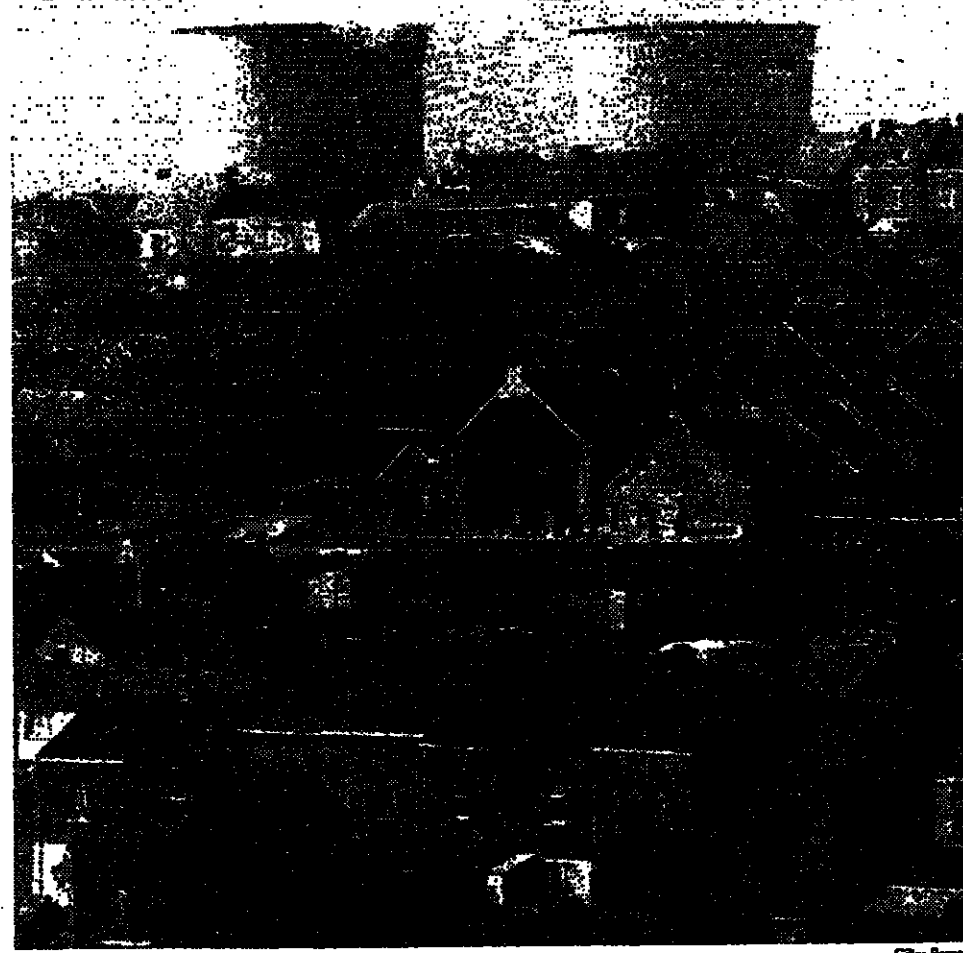
The Socialist General Federation of Belgian Workers, representing a million workers, is considerably more hostile to the government, but is going along with the program.

"We need greater competitiveness and budget cuts, so we went along with the program, but we also have our conditions," Mr. Houthis said, emphasizing that he is counting on some form of re-establishment of wage indexing after the year's end.

Labor negotiations are scheduled for September, he said, adding that he also will press the government for what he termed a more equitable income tax system and greater government emphasis on fighting Belgium's growing unemployment.

During last week's interview, Mr. Martens appeared calm and confident about the future, which includes nationwide municipal elections in October.

"We have an opportunity to provide leadership and we expect to continue pursuing it for another four years," said the Belgian leader in an obvious reference to Belgium's next legislative elections in 1985.



The industrial city of Charleroi: To some, Belgium's most economically depressed area.

# Charleroi Ponders the Future

International Herald Tribune

**CHARLEROI, Belgium** — When asked to name the most economically depressed area in Belgium, businessmen and politicians often cite Charleroi. "It is the worst we have," said the president of a leading Belgian industrial company with substantial interests in the area.

Arriving by train from Brussels, a visitor notes rusting, abandoned plants, particularly in the metallurgical sector. In the office of the Confederation of Christian Labor Unions, Belgium's leading labor group, several parallel lines of roughly a dozen unemployed workers form for benefit checks.

Yet despite such signs of economic crisis, Charleroi's workers and the area's economy are protected by continuing, heavy government subsidies. These include assistance for Cockerill Sambre, the nation's largest steel company and one of the largest employers in the area, whose losses were more than 17 billion Belgian francs (about \$350 million) last year.

"We are going through a bad period, but we are not condemned to disappear," said Francois Cammarata, secretary of the Confederation of Christian Labor Unions' metallurgical branch here, while pointing to bulldozers clearing an area at Cockerill's large steel plant on the city's outskirts.

A company engineer, Michel Debaise, explained that the expansion is aimed at helping the company become profitable and, above all, competitive, in markets including the United

States. "This will be one of the most modern plants in Europe and we intend to export — including to you in America," Mr. Debaise said.

The Cockerill group, in which the Belgian government took a controlling interest last year, is among the West European companies being singled out by the U.S. Commerce Department for allegedly dumping steel in the U.S. market. If the dispute is not resolved by next month, countervailing duties imposed by Washington could prove extremely damaging to the companies. Belgian government officials have warned.

"We used to have 65 coal mines here in 1955; today we are down to one and it will be closed down starting next year. We import our coal from Poland and the United States," said Mr. Cammarata, adding "our situation here is symbolic of the European crisis."

Indeed, Charleroi typifies growing deindustrialization of key areas in northern Europe. "Unlike our neighbors, Holland and Germany, our traditional industries are not growing," said René Mardaga, head of the Belgian state planning agency, noting that the government is attempting to encourage development of new, high-technology industries.

Charleroi is in French-speaking Wallonia. Since the 1960s, much of the new investment has been attracted to the Dutch-speaking regions of Flanders, notably Antwerp, but even there it is minimal.

—AXEL KRAUSE

# One Nervous Girl's Testimony in 1924 Is Recalled by Updike Over Hinckley

By Meg Greenfield

Washington Post Service

**WASHINGTON** — I have before me photostats of the front pages of a couple of newspapers, The New York Times and the New York Herald Tribune for Aug. 8, 1924.

The story that engages my attention concerns the Loeb-Leopold murder case, as it is called.

In the Herald Tribune it is headlined this way: "Child Found Swears Loeb Was Childish, Lorraine Nathan, 18, and 4 Boy Chums Corroborate Allegations of Conditions of Minds of Murderers." The Times headline tells more: "State Accuses Girl of Lying for Loeb, Four Chums Testify, Crowe Cries 'Perjury' as Former Sweetheart Declares Youth 'Irrational and Infatuated.'" On the inside page where the story continues, one of the papers carries a photograph of the girl, of whom it says, "She made a pretty though somewhat nervous picture on the stand."

The girl is wearing one of those daffy head-ache bands of the period, and she looks very young to me. She is my mother.

I never discussed her role as a defense witness in the Loeb-Leopold case with my mother. She died when I was a child, and it was only years later that my brother and I, growing up in another city, even heard of the famed Chicago murder (someone had made a movie about it) and their friend, from a family friend, to our astonishment, that our mother had had some part in the court proceedings.

## Tight Wall of Shame

But the tight wall of shame that surrounded the whole affair, from murder to sentencing, remained so strong among those associated with it — no matter how tangentially — that even then we were unable to get answers to the questions we put to our older relatives. "Why bring all that up now?" came the stock response. "Why do you want to talk about it?" "I don't really remember..." It was so long ago. Eventually we went to the microfilm section of a library and dug the story out of old newspapers.

The uproar over the case of John W. Hinckley Jr., who was found not guilty by reason of insanity in the shooting of President Reagan, has caused me to retrieve those photostats from a drawer, inspect them again and consider again some of the aspects of that earlier case that, in slightly different form, we are arguing about now.

True, the two rich Chicago boys — Nathan Leopold Jr., 19, and Richard Loeb, 18 — who plotted and carried out the murder of young Bobby Franks in a spirit of cold-blooded intellectual play, pleaded guilty to the crime, at the recommendation of their lawyer, Clarence Darrow. So there was nothing precisely comparable to the Hinckley lawyers' effort to persuade a jury that a defendant was not guilty by reason of insanity. And in fact there wasn't even a jury, once the guilty plea had been entered.

It was for the sentencing judge, John R. Caverly, and with the hope of getting the death penalty mitigated in favor of life imprisonment, that Darrow organized his psychiatric pitch. This pitch was that despite the obviously rational calculation and control that had gone into the perpetration of the crime, the "boys," as Darrow called his clients, though not "insane," weren't quite right in the mind at the time they committed it. Rather, they had been driven to their act by an accumulation of psychological and emotional deformities not of their own making.

My mother, who described herself on the stand as "just a school-day friend" of Loeb, was one of the witnesses Darrow called to help establish this point. Darrow, in his wisdom, declined to call her younger sister, my beloved Aunt Rolly — then described as "Miss Rosalind" — notwithstanding, as we learn from both The Times and the Trib, that Miss Rosalind stood ready with a medical finding that Loeb was "plain cuckoo."

Her sister's diagnosis, it is explained by my mother in the Times' account, was based on the fact that Loeb had "stuck his thumb into all the chocolates on a plate passed to him at a dance at the Nathan home as he sought a soft-centered candy."

## Clinical-Sounding Language

My mother, who testified along with four

friends were far from being Darrow's heavy guns. They followed, they did not lead — and they followed the doctors.

The Loeb-Leopold court proceedings turned into a sort of small convention of psychiatrists (or alienists, as those who testified in court were then called). It was a landmark event in American legal history. The prosecution came in with a group of highly respected specialists in nervous disorders. Darrow countered with a distinguished group of the new-fangled Freudians, including one who was president of the American Psychiatric Association and superintendent of St. Elizabeths Hospital, a federal mental hospital in Washington.

(Two Chicago newspapers, nothing loathe to get into the act, invited Sigmund Freud to do an analysis of the murderers for them. Freud sent his regrets.)

There were soon complaints, as there were to be in the Hinckley case almost 60 years later, that the wealthy families of these young men were, in effect, "buying" them out of the consequences of their crime with an ability to pay for expert testimony and counsel. There was unprecedented courtroom discussion of overbearing governesses, childhood sexual fantasies, glandular disorders. And there was despair then, as now, that respected experts could argue such utterly different versions of the psychiatric case.

I can't tell from the news accounts whether my mother actually perjured herself as the prosecutor, Robert Crowe, charged. He pointed out that her testimony that Loeb's conduct had changed and that in the last year he had seemed newly "infatuated" and "irrational" directly contradicted earlier sworn statements she had made in the prosecutor's office that Loeb was "manly" and "sane." There was a quarrel among lawyers over that, some maneuvering, a countercharge that in that earlier session an assistant state's attorney had tried to influence her testimony and that parts of her testimony had been deleted and so forth.

I don't know what to make of any of that; the court evidently didn't pursue it. And I can't know how closely her own genuine perception of Loeb's condition paralleled that of the three leading psychiatrists the defense had already called. She certainly used all their terminology, and it has an odd, forced, uncanny ring to it in the news account. The prosecutor responded, in a savage cross-examination, by addressing her sarcastically as "doctor."

It must have been terrifying. That's the part that interests me. But I have very little to guide me in understanding how she felt, or even why she was there. She was not, incidentally, the "sweetheart" of the moment or the one who was written about in the semi-fictional accounts. She was a friend who had known him long, had once been a girl friend and now remained close.

## An Unwanted Celebrity

I do know now from family that she insisted on testifying when asked, very much against the will and judgment of her parents. They wanted to avoid any connection with the terrible scandal and foresaw what it would be like — not just on the stand, but after. My mother gained an unwanted celebrity. Along with others who followed the trial's revelations, she learned of a breathtakingly brutal, degenerate side to her friend. She was to suffer something that sounds today like a nervous breakdown when the case was completed and to be packed off "to forget" at a kind of junior college-finishing school in the East.

I try to imagine the horror, the impact the murder itself must have had on her, a very young kind of 18-year-old, strictly brought up, "sheltered" (as they used to say), fond of this boy, thinking she knew him well. He had wanted to murder an innocent child. She was not much beyond being an innocent child herself — the scrapbook memorabilia of hers that I have from the general period, none of it mentioning this, is the buoyant, silly, enthusiastic stuff of schoolgirls.

The news accounts give me some clue to the ambivalence and anguish of her feelings. They tell me that throughout the time she was on the stand Loeb never took his eyes off her — and that she never looked back at him. "Loeb craned his neck for a look at his former sweetheart," the Times says of her testimony.

arm." She said something to him. A bailiff pulled him away.

To me this moment has it all — innocence and experience, revulsion and compassion, incredulity and understanding. We were in the babyhood of our experience with this particular kind of analysis of criminal behavior.

I go back to the case of the poked-in chocolates.

## Chocolate Episode

In a way, as usual in my family, Aunt Rolly was out there ahead of the curve. For her the chocolate-squashing represented a lapse in decorum so grave as to constitute, on its face, evidence of insanity. In fact, the presiding judge was to make a comparable observation: "Had they [Loeb and Leopold] been normal, they would not have committed this crime."

Although his eventual decision to waive the death penalty was not, he claimed, based on the psychiatric case, but rather on the youth of the defendants, Judge Caverly here gave expression to a sentiment — "temptation," the implication being that the crime or lapse is hardly the fault of the one who succumbs; it is the fault of the temptation itself, the fault of the "pressure."

And surely the same may also be said of the other novelty of the case: the introduction of all this lore about the defendants' upbringing and state of mind, not as evidence of insanity or of an inability to know right from wrong, but rather as evidence of a diminished responsibility for their actions, which in turn argued for a sentence of diminished severity.

Since those early days, it seems to me, this search for determining causes, this assumption of "no fault" behavior has been carried to a mad place, too. Increasingly, even mindlessly, we have overlaid all our actions with a vaguely psychological, excruciating, morally confusing wash. Nowadays there is not even "temptation." We call temptation "pressure," the implication being that the crime or lapse is hardly the fault of the one who succumbs; it is the fault of the temptation itself, the fault of the "pressure."

And we have so vastly expanded the application of this doctrine since Darrow's day that the act of corruption or cynicism has yet to be invented that does not somehow get mitigated by it. I sometimes think we may even be tending, in our judgments of public venality, toward a new verdict of "not greedy by reason of insanity."

The woman who was my mother was pretty old-fashioned and rigorous. Reflecting on what I know of her — remember and have been told — I think she would in fact have been shocked by where that pioneering legal case helped to bring us. But that is speculation, and I am interested in the girl I look at in the news photo of the young face, the earnest eyes, the damned-fool headband. What did she believe? That Loeb was evil? That he was mad? How hurt, how betrayed, how shocked was she?

Did she finally decide that she must do what she could to save his life? Was that the moral and emotional nub of the matter for her, an unwillingness not to help save him, an inability to refuse to testify? Was she repelled by him? Moved by his plight? Both? Did it add up to some dim faith in the psychiatric theory before the court, to a need to believe that this old and treasured "school-day friend" had been in some way possessed — and thus not fully responsible for his barbarous act?

You will see I am myself working toward a theory of what motivated her. I sense in her decision to testify — I want to sense in it — an element of humility, compassion. Never mind the overreaching and the intellectual arrogance of some of those who claim power these days to explain every human act of love and grace, not just of depravation, as nothing more than the automatic working of some psychological law they understand.

There is humility, not arrogance, in yielding to the possibility and accepting the thought that others are driven by devils we cannot see and might not ourselves resist.

I like to think that some largeness of spirit and understanding is what motivated the nervous girl they ridiculed as "doctor" on the stand, that, painful as it was, she was acting instinctively, intuitively in the spirit we need to retain today — no matter where our much-needed discussion and revision of the criminal law must take us.

# Tell the homefolks how you're getting around Europe and make a pretty fare saving on the call.

Traveling through Europe can be a moving experience—and you want to stop just long enough to tell your family and friends about it. Check out the money-saving tips below, then give them a call. It's the first-class way to reach them—at bargain rates.



Save on surcharges. Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on!

There are other ways to save money. Save with a shortie. In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short

with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel's surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends.



## STYLE



The 'gondolier' bag has become a hot item for reasons of security, as well as fashion. First three photos, from left, show Paris variations of the gondolier. At right: London shoulder basket, and students in miniskirts with notebooks... and gondolier bag.

## Love Before Dinner? Omar Sharif Puts Things Into (His) Perspective

By Carolyn Pfaff

PARIS — When it comes to choosing between a great meal and a great woman, Omar Sharif demurs. He decides to go first for the meal. He promises to telephone the girl after. But never before.

"Love before dinner? Quelle horreur!", he says, raising his big

### GUEST OF HONOR

brown eyes. "A meal is something too important and you must prepare for it."

He would not dream of including the girl at dinner, for good *macho* reasons. Women are always on diets and that spoils his food. Also, he likes his dinner to last at least four hours, accompanied by good conversation. He has yet to find the girl whose conversation is up to the test. Instead, he dines with intellectual male friends, like his bridge partner, who has honors degrees in Greek and Latin.

Sharif's passion for great food is quite recent. Food has replaced bridge as a hobby, insofar as he no longer plays bridge for fun. Since he discovered *nouvelle cuisine*, he says, he can eat out four or five nights a week, instead of one, and still keep his figure.

### Food Dreams

Now, when he gets a certain dreamy look in his eyes, he is probably thinking about Alain Chapel's *gelée de pigeon*, rather than Catherine Deneuve's curving lips.

The Egyptian actor, whose Dr. Zhivago made bosoms heave back in the '60s, now lives a good part of the year in bachelor digs in Paris. "I'm a nomad," he says.

His living room is a mélange of uninspired grays and browns, with plastic plants and blown-up Toulouse Lautrec posters. A pool table takes up half of the living room; the backgammon and chess boards are set at the ready. There are signed photos of presidents Gerald Ford and Jimmy Carter, as well as bridge trophies everywhere.

At 2 o'clock in the afternoon, Sharif has just emerged from a three-hour bubble bath. He says he soaks and reads and does his crossword puzzles in his bath. Wearing an immaculately ironed white cotton *qumach*, he chain smokes, coughs and sips black, sugarless coffee prepared by his devoted



Omar Sharif at Taillevent with Chef Claude Deligne.

housekeeper, Pepita. He never eats lunch and he is certainly never awake for breakfast.

The rich jet-black hair is now a bouffant gray. He refuses to jog, exercise or otherwise worry about his shape. "I think it's a sign of total narcissism to take care of yourself," he says. His eyes look tired, from reading most of the night. He has insomnia.

What interests him now, as he enters into his fifth decade, are his "passions," as he calls them. Emotionally, he feels very Egyptian, "in my melodramatic way of being," but culturally, he admits to being very French, "although I'm not as cold and selfish as most French are."

He talks fondly of his mother, now a resident in Madrid, who could beat King Farouk at poker without losing an ounce of charm. Of course, he is still a connoisseur of women, but "I'm not a womanizer and never was," he says. "When I started, the big studios packaged me as a romantic figure. So people get the wrong impression of me."

But he still has a soft spot for Dr. Zhivago. "It made such an impact on people's minds, especially women's minds."

He has not given up hope of finding the perfect woman. "I'm difficult, I think, and I would be difficult to live with. I'm used to living alone and I rather enjoy it." Worrying about what this means, "I would hate to think it's because I'm incapable of loving a woman," he says. "Then I'd really give up hope about myself. Maybe I'm too selective, although I do have affairs where I'm not all that selective."

### No Preferences

He has no preference for blondes or brunettes, tall or short. "It's all a question of contact," he says. "It's not important that she be beautiful. Sometimes I feel something interesting about a woman that makes me want to develop it, but then, it never goes very far."

"I did have a girl once who drove me crazy. I couldn't keep my hands off her," he reminisces. "Physical attraction is important, but the woman must also be very intelligent, full of personality, yet extremely feminine. Not someone fiery and daring. I couldn't stand that."

In his quest for the perfect meal, Sharif rarely accepts social invitations to dinner, except in great restaurants.

"I don't enjoy even 'goodish meals,'" he asserts. "If it's not terribly good, then I'd rather just have a steak and salad or eat yoghurt in bed at home."

Of Paul Bocuse, he says: "Bocuse is a genius, but he's never there. I very selfishly would like the chef to cook for me." He used to go every Wednesday to L'Archevêque, one of Paris's best and most expensive restaurants. Of chef Alain Senderens, he says: "He's perhaps the greatest chef of all, but I considered, perhaps wrongly, that he should not charge me exactly the same as the ordinary tourist. It wasn't the money, it was the principle."

Currently, he is a regular at Taillevent's on Friday, because: "They have the best wine cellar in the world. The prices are moderate for the quality, and the owner, Jean-Claude Vinat, is a wonderful man who greets you wonderfully well."

## STREET SMART

### The 'Gondolier' Bag: Elegant, Safe And Small Enough to Deter Thieves

By Monique Davidson

PARIS — The other day, a woman was strolling down the boulevards, clutching a big package while her shoulder bag was hanging down her back. A few yards behind her, two young men, stalking silently along on rubber soles, were approaching rapidly. They would have easily succeeded in snatching her bag if at that moment the piercing voice of an onlooker had not rent the air, warning her to watch out.

The grateful woman quickly brought her bag around in front, clamping it to her stomach. Meanwhile, the bag-hunters raced off to more profitable fields.

It goes to show that today Paris is just as unsafe as New York, London or Rome, and you must watch out for your bag. The younger generation seems to have found the answer in the so-called gondolier bag, which first came out as a disco fashion. It is just big enough for a Kleenex, a few cigarettes, a little money and a bunch of keys, and it is worn hanging down in front, rather like a Scottish sporran.

It is the latest version of the shoulder bag, another fashion with a practical idea behind it. When it first appeared in the 1920s, it came in when the new short, slim skirts made pockets impossible. Launched by Coco Chanel, it was popularized by Schiaparelli during World War II. Its most popular version was a conductor's satchel, slung over the shoulder when bicycling in town.

Most bag shops in town report that sales of gondolier bags have jumped in the last few months. At Céline's, a store with classic good taste, the success of the bag has been spectacular. Women of all ages have been asking for it, not so much for security reasons but because it is in fashion. As they are relatively low-priced, women buy several in different colors.

At La Bagagerie, which caters to the young and trendy, excellent summer sales have encouraged its owner, Jacques Marliac, to complete his winter collection with a full assortment of gondolier bags, in darker colors and all kinds of geometrical shapes. At Au Printemps department store, a special counter has been set aside for the gondoliers.

Even austere establishments, such as Hermès, that sanctuary of luxury leather goods, are taking note. The tide turned when a young customer recently asked for a binocular case to be converted into a gondolier bag. Hermès jumped at the idea and made several in cheerful colors, adding a nag's head as decoration.

Some places that sell the gondolier bag:  
Au Printemps — 64, boulevard Haussmann, 75008 (75 francs and up).  
Mulberry Company — 45, rue Croix des Petits Champs, 75001 (from 200 to 400 francs).  
La Bagagerie — 41, rue du Four, 75006; 74, rue de Passy, 75016, and 12, rue Tronchet, 75008 (250 francs and up).  
Céline — 3, avenue Victor Hugo, 75016; 58, rue de Rennes, 75006, and 24, rue François 1er, 75008 (around 400 francs).  
Hermès — 24, Faubourg Saint Honoré, 75008 (1,330 francs).

## PEOPLE IN STYLE



Jacqueline Jacobson at Antiquarius: Orange-dress fever.

orange dress from the 1930s "because of the color," she said, from an antique clothing store that is popular with other foreign designers. Ralph Lauren was in there recently, buying all the Victorian petticoats he could find, no doubt for his famous American Prairie Look.

ATHENS — Ilias Lalaounis, a Greek jeweler of worldwide fame, has designed a couple of special wedding crowns for the oldest of his four daughters, Katherine, who married a Greek businessman in Athens recently. The crowns, worn in the Orthodox church by the newlyweds, were put together by papa, but the leaf-and-pearl design came from a small jewelry collection designed by Katherine for her father's stores.

LONDON — Jacqueline and Elie Jacobson, the brainy owners of the seemingly frivolous Dorthea shops, were in London on a recent weekend to attend the Royal College of Arts' annual fashion gala, presided over this year by Princess Margaret. Jacqueline Jacobson also sneaked out to Antiquarius, the antique market on King's Road. She bought an

ATLANTA — Issey Miyake flew from Tokyo via Paris (to see his Saint-Germain-des-Près shop) to London just to deliver the pink satin stage costume he designed for Mick Jagger. Miyake, who likes to think of himself as a "total designer," has just finished a line of bed furnishings — a folding mattress, half-way between the Japanese futon and the Western mattress.

NEW YORK — Régine celebrated the Fourth of July at Martha's Vineyard, where she and husband, Roger Choukroun, have bought a house. Neighbors Art Bachwald and William Soyars were invited, along with 40 friends whom the Choukrouns flew in from New York aboard a couple of chartered planes.

GENEVA — The magnificence of the wedding planned July 29 for a niece of King Khalid of Saudi Arabia was postponed because of the death of the king.

MILAN — Angela Missoni, daughter of the Italian designers, will be married on July 24 at Sumirago.

MONTE CARLO — Princess Stephanie will make her debut at the Red Cross gala later this month. She and her brother Prince Albert gave a ball on July 7 to celebrate her baccalaureat. They entertained 200 people.

VENICE — Princess Margaret will be in Venice from July 28 to 30 with the Royal Ballet, which is presenting "Romeo and Juliet." She will dine at the British Consulate and attend a ball at the Pisani Palace.

## LETTER FROM LONDON

### 'Prince of Wails,' Like Mom, a Trend-Setter

By Hebe Dorsey

IN LONDON, the question is: If Lady Di has influenced millions of girls into pearls, what will Prince William of Wales do for the smart junior set?

His popular mother clearly has a mind of her own, and everything she does is avidly copied — from her hairdo to her love for Edwardian jewelry. Lady Di has single-handedly revived the British fashion industry, and there is no question that what she does with Baby Boy Windsor will be an enormous influence — and not only in Britain.

To make things more interesting, Lady Di, with her unique combination of regal and real, is hard to predict. She has already created waves by refusing to pick a nurse from the conventional Norland Nannies or Kensington Nannies (where she herself was enlisted before working at Pimlico's kindergarten.) Her choice fell on Barbara Barnes, 39, a forest worker's daughter who will not wear a uniform and will be known by her first name.

Miss Barnes, who was Lady Anne Tennant's governess for 14 years, told the press she sees no different problems in bringing up a royal baby. "I treat all children as individuals," she said. "I am not a graduate of any sort of nanny's college. I have accumulated my knowledge from many years of experience with children."

### Dressing Code

How will the royal baby be dressed? Rompers or smocks? Curls or crew cut? Where did his layette come from? What are the princess's favorite colors? Is there any special dressing code for little princes? Any special colors?

From Buckingham Palace, the word comes that, no, there is no special dressing code for royal children. The only convention that Lady Di will have to respect is the use of the christening robe, which dates back to Queen Victoria.

Made of white silk and Honiton lace, lined with white satin, it was first worn by the Prince of Wales, later Edward VII, in 1842. Queen Victoria then gave the robe to the Duchess of York, later Queen Mary, all of whose children were christened in it, too.

### No Radical Changes

There will be no radical changes as far as dressing is concerned, the spokesman for Buckingham Palace said. But there will be as far as education is concerned, he added, without elaborating. Lady Di has already chosen her baby's layette — right at Buckingham Palace, where tons of gifts, both clothes and soft toys, arrived from all over the world, including Scandinavia, Australia and America, according to the spokesman. What Lady Di does not pick will go to charities. Generally speaking, they are small things sent by all levels of society, the spokesman said, adding firmly that gifts are not being accepted from commercial firms.

Do we know whether Lady Di knew the sex of her child in advance and was able to decide between baby blue or baby pink? "She may have had a scan," said the spokesman, "but it is a matter that is not on public record."

"That may emerge when the baby is next seen," he added, "for there should be some photographs very soon."

Lord Snowdon, who did the official portrait of Lady Di's 21st birthday, seems to be out for the



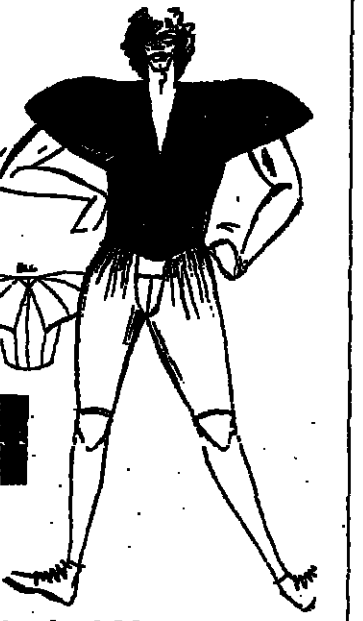
Detail from painting by George Baxter (1804-1867), 'The Christening of His Royal Highness the Prince of Wales' in St. George's Chapel on Jan. 25, 1842. It was the first time the christening gown was used. Prince William of Wales will be christened in the same gown.

moment, and Norman Parkinson, another royal favorite, is next in line, together with Lord Litchfield. With the winds of change blowing about the palace, however, there is a chance that Lady Di will want to bring in a younger photographer.

Although the Buckingham Palace spokesman said that there is no special code for royal children, experts point out that there is, indeed, a code, although not an official one, the rules of which can be traced to Queen Mary. The formula goes for all aristocratic children and boils down to pale colors, natural fabrics, smock dresses for little girls, gray flannel or corduroy shorts for little boys, worn with a Vivella (a mixture of wool and cotton) shirt and suspenders. When the children go out, they wear double-breasted tweed overcoats with velvet collars, in one of two colors — navy blue or bottle green.

Curly? That's up to the mother. Little princes tend to wear neat little haircuts from special places like Harrod's. Shoes, though, are extremely specific and start with the sensible lace-up kind (to hold the ankles) and run to T-strap sandals with white or gray socks. No jewelry.

Everything you can imagine — and more — has been written about the little prince, including the fact that he was promptly nicknamed Prince of Wails as a result of his father's remark when asked about his wife and son: "They're both doing absolutely fine. The trouble is, though, one's far noisier than the other."



Sketch of Miyake design for Jagger: Totality in pink satin.

cent wedding planned July 29 for a niece of King Khalid of Saudi Arabia was postponed because of the death of the king.

MILAN — Angela Missoni, daughter of the Italian designers, will be married on July 24 at Sumirago.

MONTE CARLO — Princess Stephanie will make her debut at the Red Cross gala later this month. She and her brother Prince Albert gave a ball on July 7 to celebrate her baccalaureat. They entertained 200 people.

VENICE — Princess Margaret will be in Venice from July 28 to 30 with the Royal Ballet, which is presenting "Romeo and Juliet." She will dine at the British Consulate and attend a ball at the Pisani Palace.



Princess Stephanie

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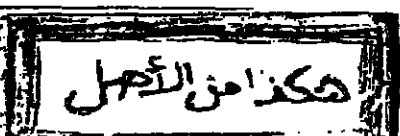
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# BUSINESS / FINANCE

THURSDAY, JULY 15, 1982

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## BUSINESS BRIEFS

### U.S. Auto Sales Fell in Early July

DETROIT — U.S. automakers Wednesday reported the worst sales figures in 24 years for the first 10 days of July, posting a 16.5-percent drop from the comparable period last year. General Motors led the decline, with sales down 18.4 percent.

Sales at Ford Motor were off 17.7 percent, while Chrysler sales dropped 15.9 percent. Together, the Big Three said they sold 104,732 cars in the period, down from 122,913. The three have sold 3.0 million cars so far this year, down 1.5 percent from the same period last year.

The smaller U.S. automakers posted even more dramatic sales declines for the July period. American Motors Corp. said sales were down 38.1 percent, and Volkswagen of America said sales dropped by 55.4 percent.

### Outboard Marine Accuses Japanese

WAUKEGAN, Ill. — Outboard Marine said Wednesday that two of its subsidiaries have filed anti-dumping petitions in Europe and Australia against five Japanese outboard motor manufacturers. The U.S. company manufactures Evinrude and Johnson outboard motors.

Outboard Marine accused Yamaha, Suzuki, Tohatsu, Subaru and Honda of "predatory behavior" which has resulted in economic losses to the European and Australian outboard motor industries and their suppliers. It said, "This includes substantial loss of jobs and the closing of some plants."

Outboard Marine said its suit in Europe, filed by Outboard Marine Belgium, was joined by British Seagull, Industria Meccanica Selsa of Italy and König Motorenbau of West Germany. The company said a similar complaint was filed in Australia by Outboard Marine Australia.

### Sperry Univac Unveils Computers

NEW YORK — Sperry Univac, a unit of Sperry Corp., unveiled a new family of computer systems Wednesday that it said were its most powerful to date. The new 1100-90 series is intended for users with the very highest capacity demands, such as government departments, airlines and the aerospace and petrochemical industries.

Sperry Univac said its top 1100-94 model provides twice the memory capacity and nearly twice the processing speed of IBM's top mainframe computer, the 3081K. Prices of complete systems range from \$4 million to \$15 million and deliveries are to begin next June.

### New Chairman For Dow Chemical

MIDLAND, Mich. — Robert W. Lundeen, 61, was elected chairman of Dow Chemical at the company's annual meeting, it was announced Wednesday. He succeeds Earle D. Barnes, 65, who retired after 42 years in office. Mr. Lundeen has been executive vice president since 1978.

### Continental-TA Merger Is Approved

LOS ANGELES — The acquisition of Continental Airlines by Texas Air has been approved overwhelmingly by stockholders of both companies, ending a long takeover effort by the Houston-based airline. The approval came in separate meetings here Tuesday.

Management officers of both companies presented optimistic reports to the shareholders, despite the economic difficulties faced by both companies. Frank Lorenzo, president of Texas Air, said he intended to seek major concessions from Continental's unions. Continental President George Warden said the airline was near agreement with its leaders to restructure its long-term debt.

### MGM/UA Restructures Bank Credit

CULVER CITY, Calif. — MGM/UA Entertainment has received commitments for a restructured bank credit totaling \$325 million, it said Wednesday. Chairman Frank Rothman also said that the quarter ending Aug. 31 should be profitable, based on the success of the movies "Poltergeist" and "Rocky III."

MGM/UA, formerly Metro-Goldwyn-Mayer, said the credit will replace separate MGM and UA credit lines. The amount of these lines was not immediately available. The new credit will bear interest at one-half point over the prime rate and will be used for general corporate purposes and film production, MGM/UA said.

The loan commitments were arranged with a consortium of banks led by Bank of America and including Chemical Bank, Bankers Trust, Bank of New York, Manufacturers Hanover, Mellon Bank and Marine Midland Bank. MGM/UA reported a fiscal third quarter loss of \$4.4 million, or nine cents a share.

Compiled from Agency Dispatches

## NYSE Prices Close Mixed in Final-Hour Rally

Compiled by Our Staff From Dispatches

NEW YORK — A blue-chip rally near the close allowed prices on the New York Stock Exchange to finish mixed Wednesday despite trading on the downside most of the day.

The Dow Jones industrial average was off more than six points in afternoon trading but turned around in the last hour to finish up 4.19 at 828.39. Declines still led advances, by around 730 to 670, and volume fell to 58.2 million shares from the 66.2 million traded Tuesday.

Hildegard Zagorski of the Bache Group attributed the late rally in part to the action in IBM, which closed at a new high for the year.

Analysts said trading slowed as speculation mounted the nation's money supply, which fell \$9 billion in the past month, will surge be-

tween \$8 billion and \$10 billion in the next report.

"That would put pressure on the Federal Reserve, which was thought to have relaxed its reins last week, to tighten credit. And that would mean higher short-term interest rates."

Federal funds rates banks charge one another for overnight loans were steady. Bond prices were slightly lower in the confusion.

Goldman Sachs vice president and economist John Paulus said Wednesday that U.S. real gross national product can grow no more than 1 percent for the rest of the year and next if the Federal Reserve maintains its current monetary growth targets.

The Treasury's announcement late Tuesday it planned to sell a record \$14 billion worth of three- and six-month bills next week also

raised fears of higher interest rates.

Investors were disappointed by the government's report Tuesday of a 1.5 percent drop in June retail sales, which suggested the economy's recovery will be sluggish.

"Today's trader is very discouraged," observed Maurice E. Edersheim, deputy chairman of Drexel Burnham Lambert. "While much of the expected poor second-quarter earnings have been largely discounted in the market, there is still little incentive for investors to take their savings out of money funds and buy stocks," he added.

The Commerce Department said Wednesday that U.S. business inventories fell \$4.38 billion, or 0.9 percent, to a seasonally adjusted \$305.7 billion in May. The May decline followed a revised 0.5 percent April gain. Initially, the department said inventories rose 0.2 percent in April.

Some oil issues were attracting attention, apparently in reaction to Iran's escalation of its war with Iraq. That potentially could restrict the flow of oil internationally and cause prices to rise.

On the NYSE floor, IBM closed at 66 1/2, up 1 1/2. Its previous 52-week high was 66 1/2. The stock was also the volume leader for the second day in a row, with turnover totaling more than 1.4 million shares.

Tuesday IBM reported a 24.4 percent gain in second quarter earnings to \$1 billion, substantially higher than Wall Street expectations.

Banks and financial markets in France were closed Wednesday for Bastille Day.

unit profit margins," Mr. Margoshes said. "Another reason is that Exxon this year won't benefit as greatly from currency translation gains, especially for the June quarter."

The Bache analyst estimates Exxon's earnings at \$5 a share for this year and \$6 a share for 1983. Standard & Poor's is also estimating 1982 earnings at \$5 a share.

Last Friday Merrill Lynch lowered its 1982 earnings estimate for Exxon to \$5.70 a share from \$5.35. It also reduced the 1983 projection to \$5.95 a share from \$6.40.

Tuesday Faine Webber cut its 1982 estimate to \$4.75 a share and its 1983 target to \$6 a share.

Markets Closed

Banks and financial markets in France were closed Wednesday for Bastille Day.

## Wall Street Wary of Low Exxon Stock Price

By Vartan G. Vartan

New York Times Service

NEW YORK — Exxon's common shares traded Tuesday at \$26.125, their lowest price in more than two years, before finishing at \$26.50, unchanged for the session, in heavy trading.

One of the most actively traded stocks again Wednesday, it remained unchanged. Apparently several analysts' reduced estimates of Exxon earnings have affected the stock.

At its annual dividend rate of \$3 a share, the world's largest oil enterprise provides a yield exceeding 11 percent. Exxon, notes Merrill Lynch, "offers the highest yield of any oil company."

The stock is down from a record price of \$44.50 in November, 1980, a month that marked the top of the market generally for energy issues. Meanwhile, energy stocks have come under selling pressure because of investor concern over lower oil prices, which can translate into lower profit.

Today the yield on Exxon shares might seem generous to many. But in the investment community, the company draws mixed reviews.

"I suggest an opportunity cost exists in owning or investing in Exxon, because of the availability of superior alternatives in a comparable risk category," said Sanford Margoshes of Bache Halsey Stuart Shields. "I think the upside

Hutchins, Exxon is regarded as a "hold."

At Merrill Lynch, the stock is rated "okay to buy," the second-highest classification. This same rating applies to California Standard, while Mobil carries an outright "buy" recommendation.

In 1980, a superb year for Exxon and other oil stocks, the company raised its common stock dividend repeatedly. How safe is that dividend now?

In Standard & Poor's Outlook, Exxon is included in the master list as an issue offering "income with inflation protection." In the latest opinion from this advisory service, "dividends of 75 cents quarterly are the minimum expectation."

"There is no threat to the present dividend rate," Mr. Margoshes said. "On the other hand, there is virtually no prospect of a dividend increase this year and only a limited prospect of a higher dividend in 1983. Thus, in an inflationary environment, this means that Exxon's stock loses its tremendous appeal. An 11 percent yield gives the stock some characteristics of a bond and, on that basis, I don't regard it as eminently attractive."

First Albany Corp. has examined cash flow trends at Exxon [cash flow consists of internally generated funds — earnings plus depreciation]. On that basis, Hugh A. Johnson Jr. of the brokerage firm said, "I suspect that Exxon will maintain its present dividend

At Exxon's annual meeting in May, the management disclosed that it will not spend all of the \$13.5 billion originally budgeted this year.

Meanwhile, Mr. Johnson suggested: "If there are signs of some cash flow pressures on Exxon, what about the small independents who do most of the drilling in the United States? That's where a real problem exists."

Last year Exxon earned \$6.44 a share, and there is general agreement that the earnings will be lower in 1982. "This reflects the over-supply of oil, which puts downward pressures on crude prices and product prices, as well as lowering

unit profit margins," Mr. Margoshes said. "Another reason is that Exxon this year won't benefit as greatly from currency translation gains, especially for the June quarter."

The Bache analyst estimates Exxon's earnings at \$5 a share for this year and \$6 a share for 1983. Standard & Poor's is also estimating 1982 earnings at \$5 a share.

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## CURRENCY RATES

Interbank exchange rates for July 14, including bank service charges.

	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
Amsterdam	2.75	4.70	118.20	39.25	6.197	17.80	3.70	120.21	31.92
Buenos Aires	47.26	82.80	19.875	4.828	2.495	17.80	3.70	120.21	31.92
Frankfurt	1.48	4.30	—	—	—	—	—	—	—
London (C)	1.725	—	4.299	11.234	2.401.39	4.78	81.22	3.679	14.887
Milan	1.394.45	2.404.60	538.90	201.72	—	—	306.61	22.318	683.90
New York	—	1.724	0.411	0.1444	0.077	0.3438	0.0711	0.4709	0.176
Paris	2.127	3.674	—	—	—	—	—	—	—
Stockholm	0.924	0.587	2.348	6.542	121.72	2.499	45.923	2.014	0.1885
1.5DR	1.0615	0.297	2.703	N.A.	N.A.	2.292	51.673	2.202	0.2708

## Dollar Values

	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
Spain	1.921	—	0.034	—	—	—	—	—	—
Australia	0.98	—	0.029	—	—	—	—	—	—
Switzerland	0.659	—	0.029	—	—	—	—	—	—
Belgium	0.176	—	0.029	—	—	—	—	—	—
Canada	1.272	—	0.03	—	—	—	—	—	—
Denmark	0.63	—	0.0356	—	—	—	—	—	—
Finland	0.215	—	0.148	—	—	—	—	—	—
0.14	0.075	—	0.1318	—	—	—	—	—	—

## W. Germany Approves AEG Credit Guarantees

Reuter  
BONN — The West German Cabinet Wednesday came to the aid of AEG-Telefunken by approving a export credit guarantees totaling 600 million Deutsche marks (\$240 million). Economics Minister Otto Graf Lambsdorff said.

Speaking after a Cabinet meeting, he said the guarantees would be granted to AEG Export, a new subsidiary to be set up by the ailing company to handle export orders.

Mr. Lambsdorff said the government export credit guarantees, insuring banks against losses on new loans, were conditional on AEG's bankers providing extra finance of around 275 million DM to tide the firm over its crisis.

"They will only get the guarantee certificates when the banks' money is there," Mr. Lambsdorff said.

He said the extra cash created by this decision, including the banks' contribution, would probably tide AEG over until about the end of this year.

Massive Debt

He said the government maintains its belief that a restructuring of the company is essential and that all concerned in labor and management must be prepared to make sacrifices.

"Time is pressing," he said.

AEG-Telefunken is West Germany's 13th largest company and 10th largest employer, with a work force of 120,000. It has not shown a profit since 1977 and has run up about \$2 billion in debts as it has wrestled with weak demand for



Otto Graf Lambsdorff

many of its products as a result of the recession and tough competition.

Mr. Lambsdorff said Cabinet approval of the decision to provide export guarantees was based on a desire to protect the reputation of West German export industry and to safeguard medium-sized supplier companies from the consequences of a collapse.

He said Wednesday's decision did not prejudice the question of longer-term support for a restructuring program for AEG, but he reaffirmed there was no question of the government taking a direct or indirect stake in the firm.

He said the government guarantees were conditional on approval by the EEC. The export contracts covered by the guarantees would be approved individually by gov-

ernment auditors and applied to exports outside the community.

Mr. Lambsdorff said the guarantees would cover AEG's contracts for the proposed pipeline to bring natural gas from Siberia to Western Europe. AEG is to build 47 compressor stations worth 700 million DM for the project.

Financial analysts in Frankfurt said that despite Wednesday's decision, AEG faces a more crucial battle to insure its long-term survival.

Management is still seeking the approval of the work force, some doubting executives and the government for a plan to end the losses by splitting AEG's profitable capital goods business from the loss-making home appliance sector.

Financial analysts said the banks had been reluctant to lend to the company because of the risk that it might not be repaid.

At the same time, AEG is seeking aid from West German state governments for the home appliance business and looking for a company to buy a majority stake in its television and hi-fi subsidiary.

The most likely partner for the capital goods business is Britain's General Electric Co., whose chairman Lord Weinstock met representatives of the work force last Saturday in Frankfurt.

After the meeting Michael Kitzner, who represents the metalworkers union on the AEG board, reiterated his opposition to the plan in general and to GEC in particular.

"The talks have in principle changed nothing at all," he said.

## Renewed Fighting Between Iran and Iraq Puts Oil Exports in Doubt

By Nicholas Moore

Reuter

LONDON — Iran's offensive into Iraq sent tremors through the oil industry Wednesday, and company analysts said the supply outlook from the region has seldom been harder to predict.

Aside from short-term uncertainty posed by the fighting, an Iranian victory and an early end to the war might lead both combatants to boost sales and renew the recent glut. But, conversely, a triumphant Iran might impose its hawkish oil policies on other Gulf states, curbing supply to boost world prices, they said.

In the present over-supplied market a complete shutdown of Iraqi oil should not be a problem, industry spokesmen said. Iraq produces

less than 850,000 barrels daily, and that volume could easily be made up by Saudi Arabia and other OPEC nations.

It would be different if fighting involved other Gulf producers. But Western diplomats said they see no sign that the Saudis or Kuwait would fight for Iraq, or that Iran would hit their oil fields in retaliation for financial support for Iraq.

Temporary shortages might result.

Enough Capacity

sult if Iraqi air strikes crippled Iranian oil export capacity. Iran exports about 2 million barrels daily to Japan, Eastern Europe and the Third World.

But industry sources said OPEC had enough spare capacity to meet that demand too and would probably do so unless the Saudis wanted

to squeeze the market and nudge the West into exacting concessions from Israel in Lebanon.

Meanwhile, Iranian sources said repeated Iraqi raids on Iran's main Kharg Island oil terminal in recent months had failed.

Looking further ahead to the prospect of an end to the Gulf war, predictions were harder to make, industry sources said.

The conventional industry view has been that, whoever wins, Iran and Iraq will rush to boost war-restricted oil sales in search of cash

to rebuild their shattered economies.

Within a year of the end of hostilities it is possible they could pump around 4 million barrels daily into the world market above their current total.

With OPEC and the industry predicting only a slow rise in oil demand from present, recession-hit levels, and with other sellers chafing under existing output curbs, that would seem to portend a renewal of the oil glut and stable or lower prices.

This, however, excludes the possibility that a triumphant Iran might feel strong enough to elbow Saudi Arabia out of the OPEC driver's seat.

Saudi OPEC policy has hinged on restraining price increases when they threatened irreparable damage to the West, to which the kingdom links its own fortunes. When necessary, the Saudis opened the tap to flood the market and tame OPEC.

That has led to confrontation with Iran. After expelling the shah,

Iranian Islamic revolutionary leaders opted to pump less crude oil but to charge more for it, regardless of the effect on what they saw as the corrupt consumer societies of the West.

At the height of the market in 1980, Iran quoted up to \$6 a barrel more than the Saudis, before the Saudis engineered a glut and forced them down.

Now, according to other OPEC members, the Iranians are undercutting the Saudis to attract their buyers.

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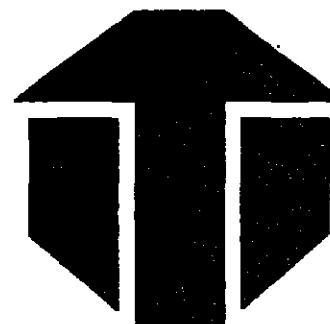
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## EECSends Top Officials To U.S. for Steel Talks

BRUSSELS — Senior officials of the European Economic Community were to leave Wednesday for Washington in a new attempt to resolve a dispute over anti-subsidy duties imposed by the United States on many EEC steel exports.

An EEC spokesman said industry Commissioner Edouard Davignon, Foreign Relations Commissioner Wilhelm Haferkamp, and senior trade negotiator Sir Roy Dennis will hold talks Thursday and Friday with senior members of the Reagan administration.

Last Friday, Mr. Davignon met with U.S. Commerce Secretary Malcolm Baldrige for talks that failed to resolve the dispute.

EEC officials said the United States imposed provisional duties on steel exports from seven EEC countries last month after the Commerce Department ruled that those countries were providing unfair subsidies for exported steel, and were hurting the U.S. steel industry.

The move has threatened a vital outlet for West European companies, and the EEC has described it as unacceptable.

Mr. Baldrige has said that the

preliminary duties will become definitive Aug. 24 unless agreement on the level of steel exports from the seven countries is reached by July 24. Both sides have said they want to resolve the matter before then.

The fact that three senior commission officials were going to Washington showed the importance attached to resolving the dispute and indicated that an agreement based on voluntary restraint by European companies remained possible, the officials said.

The duties range from 0.5 percent for West Germany to 40 percent for Britain, and cover about 1.6 million metric tons of steel exports. The other European countries affected are France, Italy, Belgium, the Netherlands and Luxembourg.

One of the U.S. concerns in the current talks is that some of the highest duties might try to sell steel to countries facing lower duties, which in turn could sell the steel to the United States.

The EEC officials were expected to meet Mr. Baldrige, trade representative William E. Brock, and the national security adviser, William P. Clark.



Edouard Davignon

The officials said the talks with Mr. Clark would center on U.S. sanctions designed to obstruct the building of a natural gas pipeline from the Soviet Union to Western Europe.

A recent decision to extend the sanctions to European licensees and subsidiaries of U.S. companies angered West European governments, which have threatened legal action to contest the move.

## Continental Illinois Shifts Officer Who Worked With Penn Square

By Robert A. Bennett  
New York Times Service

NEW YORK — Continental Illinois National Bank & Trust, which is believed to have lost the most in the failure July 3 of the Penn Square Bank of Oklahoma City, has placed John R. Lytle, a vice president in the oil and gas group, on "special assignment," a bank spokesman has confirmed.

Mr. Lytle, 47, who has been with the bank since 1959, had been responsible for Continental's lending to oil and gas producers in Oklahoma and nearby states.

Continental, the sixth-largest U.S. bank, had invested more than \$1 billion in loans generated by Penn Square and in loans made directly to the failed bank.

Most of the loans reportedly went to small oil and gas producers in Oklahoma. With energy prices declining in recent months, many of these poorly capitalized and high-cost producers were unable to meet their loan payments, according to banking sources.

There are indications that fraud also may have been involved. "We're investigating it," Eugene Pogue, press spokesman for the Federal Bureau of Investigation in Oklahoma City, said Tuesday in a telephone interview.

Mr. Pogue declined to say exactly what the FBI is looking into, but in bank cases it generally investigates charges of misappropriation or misapplication of funds or embezzlement. Banking sources said Tuesday that the authorities were also trying to find out whether some borrowers, in seeking loans or guarantees from the bank, had provided Penn Square with false information.

In another development Tuesday, the Federal Deposit Insurance Corp. announced that uninsured deposits in Penn Square totaled \$250 million, or \$60 million more than its preliminary estimate. Deposits are insured by the FDIC up to \$100,000 each. Most of the larger, uninsured deposits at Penn Square were held by other financial institutions, mainly credit unions.

Chase Investigates Its Loss

At the Chase Manhattan Bank, which had purchased about \$250 million in loan participations from Penn Square, banking sources said Chase's internal investigation appeared to center on the institutional banking division, the same group that earlier this year was responsible for a pretax loss of about \$270 million as a result of dealing with a small securities concern, Drysdale Government Securities.

In the Penn Square case, the individual most directly responsible was Margaret C. Sipperly, a second vice president who was Chase's relationship manager for the Oklahoma City bank. Miss Sipperly reported to Richard C. Finney, a vice president. He reported, in turn, to Wayne G. Hansen, a senior vice president.

In the Drysdale case, Peter J. Demmer, who was directly responsible for Chase's dealings with the

German Bankruptcies Up

WIESBADEN, West Germany — Company bankruptcies in West Germany rose to 4,686 in the first five months of 1982, 49.6 percent above a year earlier, the federal statistics office said Wednesday. In May, there were 893 bankruptcies, 50.6 percent higher than in May, 1981.

now-defunct securities concern, also ultimately reported to Mr. Hansen.

Mr. Hansen himself reported to Richard Higginson, an executive vice president who took over the institutional banking division last fall.

Continental's Loss

At Continental, Mr. Lytle was in charge of the midcontinent division of the bank's oil and gas group and reportedly was largely responsible for the Chicago bank's relationship with Penn Square.

Officials at Continental have declined to comment on the situation, except to acknowledge that the bank has experienced a large loss and that Mr. Lytle has been placed on special assignment.

Bankers outside Continental said Tuesday that the Chicago bank's troubles in the energy field appeared to have begun five years ago, when it attempted to get into

the lucrative energy lending business. Lending to small producers, who paid higher interest rates, seemed to be especially profitable, these bankers said. With energy prices rising quickly, it seemed like a "no-lose" business, said one of them.

But it was also a business of entrepreneurs, whose flashy style was not that of the typical loan officer of a major Chicago bank. Thus, Penn Square, situated in the heart of what bankers call the "Oil Patch," became a convenient mid-man, generating high-yielding loans for big banks elsewhere — more than \$2 billion — and taking a commission for its efforts.

In putting together the loan packages, Penn Square, according to the banking sources, was sloppy in determining the quality of the credit, underestimated future interest costs for the borrowers and overestimated the value of their oil and gas reserves.

## Agfa's Industrial Focus Is Key to Growth Plans

(Continued from Page 9)

established in 1964 through the merger of a Belgian company, Gevaert Photo-Produit, and Germany's Agfa, a Bayer subsidiary.

"We operate independently here, but within the decentralized Bayer structure," Mr. Leyens said. He said that involves getting approval from the German company for major expansion moves, including acquisitions.

Earlier this year, Agfa completed the takeover of Cosmographic, a Wilmington, Mass.-based manufacturer of photocomposition equipment, for just over \$78 million. "We had Bayer's approval for this move and we are consulting on others being planned, but it poses no major problems," Mr. Leyens said.

This year, Agfa is planning to increase its 1982 investments to 280 million DM, about 50 percent of which will go into expansion of Agfa's German operations, which specialize in photographic business. Approximately 40 percent will go into expansion of Agfa's industrial-related photo business in Belgium.

The remaining 10 percent will be invested in the United States, which accounts for about 14 percent of total sales. Agfa operates two production centers and a marketing subsidiary in the United States.

Company officials also estimated roughly that another 280 million DM, or about 5.5 percent of total sales, will be spent on research and development this year.

Outlook in Belgium

Virtually all of Agfa's profits last year were generated in Belgium, and the earnings outlook for 1982 there is "much better and encouraging," Mr. Leyens said.

He praised the austerity program that Belgian Premier Wilfried Martens unveiled in February, which included an 8.5-percent devaluation of the Belgian franc.

## Ratings Cut For Quebec, Nova Scotia

Compiled by Our Staff from Dispatches

LONDON — Standard & Poor's has lowered its ratings on the debt issues of Quebec and Nova Scotia.

Ratings on obligations of Quebec and the Hydro-Quebec utility were lowered from double-A to double-A minus. Ratings on obligations of Nova Scotia were cut from A plus to A.

S&P said Tuesday the factors that prompted the lower ratings were not precisely the same for the two provinces but that since last fall, Canada has experienced a sharp recession affecting all provinces. Budgetary pressures against the federal government have led to a significant slowdown in federal-provincial transfer payments.

S&P said Quebec and Nova Scotia appear to have suffered more financial and economic deterioration than the other seven provinces.

In London, dealers said the move had little effect on Eurobonds issued or guaranteed by the provinces.

Dealers said that over the past two months there has been a tightening of Canadian bond positions by many operations, and they said that Tuesday's rating reduction largely had been anticipated by the market.

There were several new Eurobond issues announced Wednesday. Sumitomo Bank is floating a \$50-million, seven-year note at par yielding 15 1/2 percent through a syndicate led by Banque Paribas and Sumitomo Finance International.

Emhart Overseas Capital is raising 100 Deutsche marks with a seven-year Eurobond carrying a 9 1/2 percent coupon, guaranteed by Emhart.

The bonds are being offered at 99 1/4 to yield 9.82 percent through a syndicate headed by Berliner Handels und Frankfurter Bank.

The World Bank is raising 200

## Council Plans Steps to Raise Copper Prices

By Robert Powell

LIMA — The world's main copper exporting countries have agreed to take joint action to boost the international price of the metal. The specific measures will be decided next month at a meeting in Paris.

A communiqué issued late Tuesday at the end of a conference here of the Intergovernmental Council of Copper Exporting Countries said the eight member-states would create a committee to decide on what steps to take to boost sagging prices.

The committee, composed of senior executives of copper-producing and copper-marketing companies in the eight member-countries, will meet Aug. 9 in Paris, the communiqué said. This would allow implementation of price-support measures during the 1983 copper sales campaign that begins in October.

Peru's minister of mines and energy, Pedro Pablo Kuczynski, who chaired the two-day conference, said it would be up to each member-country to decide whether to participate in market intervention and to what extent.

Hedging Operations

Conference sources said the intervention would amount to an extension of traditional hedging operations by producers to counter speculation.

They said the special committee would look at ways to raise prices by extending market intervention, delaying shipment of copper exports, and changing marketing strategy on the London Metal Exchange and on Comex, the U.S. metals market.

But Mr. Kuczynski said world supply and demand for copper was roughly in balance, and he made it clear that all council members opposed production cuts.

Weekly net asset value

Tokyo Pacific Holdings N.V.

on July 12, 1982: U.S. \$72.28

Listed on the Amsterdam Stock Exchange

Information: Pierson, Holding & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.

## VALMET OY, Helsinki, Finland

U.S. \$10,000,000 8 1/4% 1972-1984 Bearer

Debentures guaranteed by the Republic of Finland

CONTRACTUAL 1982 AMORTIZATION (U.S. \$1,250,000)

In accordance with Section 7 of the Terms and Conditions of the subject Loan, 125 Debentures of \$10,000 nominal value each and bearing the following numbers have been drawn at lot in Helsinki by Notary Public on July 1, 1982:

12	103	192	267	354	446	523	630	846	964
18	113	201	276	355	449	531	636	723	856
30	121	213	281	371	460	544	648	730	861
32	129	216	286	375	464	548	654	759	877
39	137	227	295	378	480	558	671	776	883
44	141	231	301	386	483	566	677	784	897
52	145	235	314	392	485	569	683	787	899
59	162	237	322	402	494	575	695	793	907
72	165	250	328	407	498	604	697	807	914
90	169	254	334	408	502	612	705	823	920
95	177	258	340	413	515	622	709	829	929
98	181	259	349	414	520	624	712	840	943

and are called in with all outstanding coupons attached for redemption at par on August 15, 1982 at GUTZWILLER, KURZ, BUNGENER SECURITIES LIMITED, Harrison Building, Navy Lion Road, Nassau, Bahamas.

These debentures will cease to bear interest as from August 16, 1982.

The remaining outstanding principal amount of the subject loan will be U.S. \$2,500,000.

The Paying Agent,

GUTZWILLER, KURZ, BUNGENER SECURITIES LIMITED.

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Roma

New Issue

These Bonds having been sold, this announcement appears as a matter of record only.

July 1982

## EMHART

Emhart Overseas Capital N.V.  
Curaçao, The Netherlands Antilles

DM 100 000 000.-

9 1/4 % Bearer Bonds of 1982/1989

Irrevocably and unconditionally guaranteed by

Emhart Corporation  
Farmington, Connecticut

Berliner Handels- und Frankfurter Bank

Swiss Bank Corporation  
International Limited

Kleinwort, Benson Limited

Dresdner Bank  
Aktiengesellschaft

Lehman Brothers Kuhn Loeb  
International, Inc.

Alahli Bank of Kuwait (K.S.C.)	Berliner Bank Aktiengesellschaft	Goldman Sachs International Corp.	Orion Royal Bank Limited
Algemeine Bank Nederland N.V.	Bankhaus Gebrüder Bethmann	Hambros Bank Limited	Peterbroeck, Van Campenhout & Cie
Al-Mal Group	BHF-FINANZ AG	Hamburgische Landesbank - Girozentrale -	Pierson, Holding & Pierson N.V.
Bankhaus H. Aufhäuser	B.S.I. Underwriters Limited	Georg Hauck & Sohn Bankiers Kommanditgesellschaft auf Aktien	Privatbanken Aktiengesellschaft
Baden-Württembergische Bank Aktiengesellschaft	Chase Manhattan Capital Markets Group	Hessische Landesbank - Girozentrale -	N.M. Rothschild & Sons Limited
Badische Kommunal-Landesbank - Girozentrale -	Chase Manhattan Group	Hill Samuel & Co. Limited	Sarasin International Securities Ltd.
Julius Baer International Limited	Citicorp International Group	The Hongkong Bank Group	Saudi Finance Corporation
Banca Commerciale Italiana	Commerzbank Aktiengesellschaft	E.F. Hutton International Inc.	J. Henry Schroder Wagg & Co. Limited
Banca del Gottardo	Compagnie de Banque et d'Investissements, CBI	Industriebank von Japan (Deutschland) Aktiengesellschaft	Schröder, Münchmeyer, Hengst & Co.
Banco di Roma	County Bank Limited	Kreditbank N.V.	Skandinaviska Enskilda Banken
Banco di Roma per la Svizzera	Crédit Commercial de France	Kreditbank S.A. Luxembourgeoise	Société Générale
Bank für Gemeinwirtschaft Aktiengesellschaft	Crédit Industriel d'Alsace et de Lorraine	Kuwait Investment Company (S.A.K.)	Société Générale de Banque S.A.
Bank of America International Limited	Crédit Industriel et Commercial	Landesbank Rheinland-Pfalz - Girozentrale -	Société Générale Straus, Turnbull Ltd.
Bank of Helsinki Ltd.	Crédit Lyonnais	Merck, Finck & Co.	Sumitomo Trust International Limited
Bank Mees & Hope NV	Credit Suisse First Boston Limited	Merrill Lynch International & Co.	Svenska Handelsbanken
Bank of Tokyo International Limited	Creditanstalt-Bankverein	Morgan Stanley International	Trinkaus & Burkhardt
Banque Bruxelles Lambert S.A.	Daiwa Europe Limited	The Nikko Securities Co. (Europe) Ltd.	Union Bank of Switzerland (Securities) Limited
Banque Française du Commerce Extérieur	Delbrück & Co.	Nomura International Limited	Verband Schweizerischer Kantonalbanken
Banque Générale du Luxembourg S.A.	Deutsche Bank Aktiengesellschaft	Norddeutsche Landesbank Girozentrale	Williams & Glyn's Bank plc
Banque Internationale à Luxembourg S.A.	DC BANK Deutsche Genossenschaftsbank	Ostnorske Creditbank	Württembergische Kommunale Landesbank Girozentrale
Banque Nationale de Paris	Deutsche Girozentrale - Deutsche Kommunalbank -	Osenskeische Länderbank Aktiengesellschaft	Yamaichi International (Europe) Limited
Banque de Neufilze, Schlumberger, Mallet	DSI Bank Deutsche Siedlungs- und Landesrentenbank		
Banque de Paris et des Pays-Bas	Dillon, Read Overseas Corporation		
Baring Brothers & Co. Limited	Effectenbank-Warburg Aktiengesellschaft		
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft	European Arab Bank		
Bayerische Landesbank Girozentrale	European Banking Company Limited		
Bayerische Vereinsbank Aktiengesellschaft			



Tables include the nationwide prices up to the closing on Wall Street.

Because of technical problems, closing prices for the following issues are not available for this edition. These are 3 pm prices:

**July 13**

Prices in Canadian cents unless marked \$.

## Montre

**Closing prices, July 14**

## Non Banks

By Norman Black

Sales figures are unofficial.  
d—New yearly low, u—New Yearly high.  
Unless otherwise noted, rates of dividends in the foregoing table are annual disbursements based on the last quarterly or semi-annual declaration. Special or extra dividends or payments not designated as regular are identified in the following footnotes.

—Also extra or extra. B—Annual rate plus stock dividend.  
 —Distributing dividend. —Declared or paid in preceding 12 months. —Dividend or paid after stock dividend or split. —Paid this year, dividend without difference or no action taken at last dividend meeting. —Declared or paid this year: an accumulative issue with dividends in arrears. —New issue: 12 months' lead in preceding 12 months plus stock dividend. —Paid in stock. —Preceding 12 months, estimated cash value on ex-dividend or ex-dividend-split date.  
 —Ex-dividend or ex-rights. Y—Ex-dividend and notes in full. —S—Notes in full.  
 —Did—Called. W—When distributed. W—When issued. w—With warrants. —Without warrants. x—Ex—Distribution.  
 —Is bankruptcy or receivership or better represented under the Bankruptcy Act, or securities assumed by such companies.  
 Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latter trading day.  
 When a split or stock dividend equivalent to 20 per cent or more has been paid the new year's High-Low range and dividend are shown for the new stock.

# BANKING & FINANCE IN THE ARAB WORLD

a special supplement by the  
International Herald Tribune

For advertising information contact:

Mr. John Holmes

International Herald Tribune  
63 Long Ave.

London WC2E9IH

100-443887-100



Tables include the nationwide prices up to the closing on Wall Street.

Tables include the nationwide prices up to the closing on Wall Street.

<b>ORANGE JUICE</b> (1000 lbs.) cents per lb. Jan 125.18 124.00 124.00 125.40 Feb 127.62 127.00 126.00 127.00 Mar 127.00 127.00 126.00 127.00 Apr 127.00 127.00 126.00 127.00 May 127.00 127.00 126.00 127.00 Jun 127.00 127.00 126.00 127.00 Jul 127.00 127.00 126.00 127.00 Aug 127.00 127.00 126.00 127.00 Prev day's open 125.97, up 29¢.			
<b>COTTON 2</b> (5000 lbs.) cents per lb. Jan 71.45 72.24 71.40 71.91 Feb 71.45 72.24 71.40 71.91 Mar 71.45 72.24 71.40 71.91 Apr 71.45 72.24 71.40 71.91 May 71.45 72.24 71.40 71.91 Jun 71.45 72.24 71.40 71.91 Jul 71.45 72.24 71.40 71.91 Aug 71.45 72.24 71.40 71.91 Prev. sales 4.94. Prev day's open 71.56, up 30¢.			
<b>COPPER</b> (100 lbs.) cents per lb. Jan 65.00 64.00 63.25 64.70 Feb 65.00 64.00 63.25 64.70 Mar 65.00 64.00 63.25 64.70 Apr 65.00 64.00 63.25 64.70 May 65.00 64.00 63.25 64.70 Jun 65.00 64.00 63.25 64.70 Jul 65.00 64.00 63.25 64.70 Aug 65.00 64.00 63.25 64.70 Prev. sales 5.92. Prev day's open 64.59, up 22¢.			
<b>HEATING OIL</b> (100 lbs.) cents per lb. Jan 90.20 90.10 89.80 90.44 Feb 90.20 90.10 89.80 90.44 Mar 90.20 90.10 89.80 90.44 Apr 90.20 90.10 89.80 90.44 May 90.20 90.10 89.80 90.44 Jun 90.20 90.10 89.80 90.44 Jul 90.20 90.10 89.80 90.44 Aug 90.20 90.10 89.80 90.44 Prev. sales 9.02. Prev day's open 91.22, up 51¢.			
<b>SILVER</b> (1000 troy oz.) cents per troy oz. Jan 440.00 440.00 440.00 440.00 Feb 440.00 440.00 440.00 440.00 Mar 440.00 440.00 440.00 440.00 Apr 440.00 440.00 440.00 440.00 May 440.00 440.00 440.00 440.00 Jun 440.00 440.00 440.00 440.00 Jul 440.00 440.00 440.00 440.00 Aug 440.00 440.00 440.00 440.00 Prev. sales 13.00. Prev day's open 47.44, up 41¢.			
<b>PLATINUM</b> (100 troy oz.) dollars per troy oz. Jan 371.50 371.50 371.50 371.50 Feb 371.50 371.50 371.50 371.50 Mar 371.50 371.50 371.50 371.50 Apr 371.50 371.50 371.50 371.50 May 371.50 371.50 371.50 371.50 Jun 371.50 371.50 371.50 371.50 Jul 371.50 371.50 371.50 371.50 Aug 371.50 371.50 371.50 371.50 Prev. sales 3.94. Prev. sales 4.94. Prev day's open 10.74, up 79¢.			
<b>GOLD</b> (100 troy oz.) dollars per troy oz. Jan 347.00 347.00 347.00 347.00 Feb 347.00 347.00 347.00 347.00 Mar 347.00 347.00 347.00 347.00 Apr 347.00 347.00 347.00 347.00 May 347.00 347.00 347.00 347.00 Jun 347.00 347.00 347.00 347.00 Jul 347.00 347.00 347.00 347.00 Aug 347.00 347.00 347.00 347.00 Prev. sales 70.07. Prev day's open 126.10, up 4.81¢.			

**The Associated Press**

The absence of an agreement would not prevent the Soviet Union from buying U.S. grain, but it would end all maximum or minimum buying requirements and mean Moscow would be treated like any other foreign customer.

Revenue and profits, in millions, are in local currencies

100-443614-1782

ORANGE JUICE									
15,000 lbs. cents per lb.									
Jul	124.5	125.00	124.00	125.00	-	-	-	-	-
Aug	124.5	125.00	124.00	125.00	-	-	-	-	-
Sep	124.5	125.00	124.00	125.00	-	-	-	-	-
Oct	124.5	125.00	124.00	125.00	-	-	-	-	-
Nov	124.5	125.00	124.00	125.00	-	-	-	-	-
Dec	124.5	125.00	124.00	125.00	-	-	-	-	-
Jan	124.5	125.00	124.00	125.00	-	-	-	-	-
Feb	124.5	125.00	124.00	125.00	-	-	-	-	-
Mar	124.5	125.00	124.00	125.00	-	-	-	-	-
Apr	124.5	125.00	124.00	125.00	-	-	-	-	-
May	124.5	125.00	124.00	125.00	-	-	-	-	-
Jun	124.5	125.00	124.00	125.00	-	-	-	-	-
Prev. sales 2,144.									
Prev. day's open in 25,957, up 20.									
COTTON 2									
50,000 lbs. cents per lb.									
Jul	72.85	72.84	71.60	71.91	-	-	-	-	-
Aug	72.85	72.84	71.60	71.91	-	-	-	-	-
Sep	72.85	72.84	71.60	71.91	-	-	-	-	-
Oct	72.85	72.84	71.60	71.91	-	-	-	-	-
Nov	72.85	72.84	71.60	71.91	-	-	-	-	-
Dec	72.85	72.84	71.60	71.91	-	-	-	-	-
Jan	72.85	72.84	71.60	71.91	-	-	-	-	-
Feb	72.85	72.84	71.60	71.91	-	-	-	-	-
Mar	72.85	72.84	71.60	71.91	-	-	-	-	-
Apr	72.85	72.84	71.60	71.91	-	-	-	-	-
May	72.85	72.84	71.60	71.91	-	-	-	-	-
Jun	72.85	72.84	71.60	71.91	-	-	-	-	-
Prev. sales 4,392.									
Prev. day's open in 25,767, up 200.									
COPPER									
36,000 lbs. cents per lb.									
Jul	64.00	64.00	63.25	64.70	-	-	-	-	-
Aug	65.00	65.00	64.00	65.00	-	-	-	-	-
Sep	65.00	65.00	64.00	65.00	-	-	-	-	-
Oct	65.00	65.00	64.00	65.00	-	-	-	-	-
Nov	65.00	65.00	64.00	65.00	-	-	-	-	-
Dec	65.00	65.00	64.00	65.00	-	-	-	-	-
Jan	65.00	65.00	64.00	65.00	-	-	-	-	-
Feb	65.00	65.00	64.00	65.00	-	-	-	-	-
Mar	65.00	65.00	64.00	65.00	-	-	-	-	-
Apr	65.00	65.00	64.00	65.00	-	-	-	-	-
May	65.00	65.00	64.00	65.00	-	-	-	-	-
Jun	65.00	65.00	64.00	65.00	-	-	-	-	-
Prev. sales 8,179.									
Prev. day's open in 65,891, up 22.									
HEATING OIL									
42,000 qt. cents per qt.									
Jul	90.00	90.00	89.00	89.44	-	-	-	-	-
Aug	90.00	90.00	89.00	89.44	-	-	-	-	-
Sep	90.00	90.00	89.00	89.44	-	-	-	-	-
Oct	90.00	90.00	89.00	89.44	-	-	-	-	-
Nov	90.00	90.00	89.00	89.44	-	-	-	-	-
Dec	90.00	90.00	89.00	89.44	-	-	-	-	-
Jan	90.00	90.00	89.00	89.44	-	-	-	-	-
Feb	90.00	90.00	89.00	89.44	-	-	-	-	-
Mar	90.00	90.00	89.00	89.44	-	-	-	-	-
Apr	90.00	90.00	89.00	89.44	-	-	-	-	-
May	90.00	90.00	89.00	89.44	-	-	-	-	-
Jun	90.00	90.00	89.00	89.44	-	-	-	-	-
Prev. sales 7,423.									
Prev. day's open in 21,923, up \$12.									
SILVER									
500000 oz. cents per oz.									
Jul	650.00	650.00	640.00	646.0	-	-	-	-	-
Aug	650.00	650.00	640.00	646.0	-	-	-	-	-
Sep	650.00	650.00	640.00	646.0	-	-	-	-	-
Oct	650.00	650.00	640.00	646.0	-	-	-	-	-
Nov	650.00	650.00	640.00	646.0	-	-	-	-	-
Dec	650.00	650.00	640.00	646.0	-	-	-	-	-
Jan	650.00	650.00	640.00	646.0	-	-	-	-	-
Feb	650.00	650.00	640.00	646.0	-	-	-	-	-
Mar	650.00	650.00	640.00	646.0	-	-	-	-	-
Apr	650.00	650.00	640.00	646.0	-	-	-	-	-
May	650.00	650.00	640.00	646.0	-	-	-	-	-
Jun	650.00	650.00	640.00	646.0	-	-	-	-	-
Prev. sales 13,962.									
Prev. day's open in 27,464, off 41.									
PLATINUM									
50000 oz. dollars per 1000 oz.									
Jul	311.00	311.00	300.00	306.70	-	-	-	-	-
Aug	311.00	311.00	300.00	306.70	-	-	-	-	-
Sep	311.00	311.00	300.00	306.70	-	-	-	-	-
Oct	311.00	311.00	300.00	306.70	-	-	-	-	-
Nov	311.00	311.00	300.00	306.70	-	-	-	-	-
Dec	311.00	311.00	300.00	306.70	-	-	-	-	-
Jan	311.00	311.00	300.00	306.70	-	-	-	-	-
Feb	311.00	311.00	300.00	306.70	-	-	-	-	-
Mar	311.00	311.00	300.00	306.70	-	-	-	-	-
Apr	311.00	311.00	300.00	306.70	-	-	-	-	-
May	311.00	311.00	300.00	306.70	-	-	-	-	-
Jun	311.00	311.00	300.00	306.70	-	-	-	-	-
Prev. sales 3,344.									
Prev. day's open in 10,794, up 4.93.									
GOLD									
50000 oz. dollars per 1000 oz.									
Jul	340.00	340.00	330.00	340.00	-	-	-	-	-
Aug	340.00	340.00	330.00	340.00	-	-	-	-	-
Sep	340.00	340.00	330.00	340.00	-	-	-	-	-
Oct	340.00	340.00	330.00	340.00	-	-	-	-	-
Nov	340.00	340.00	330.00	340.00	-	-	-	-	-
Dec	340.00	340.00	330.00	340.00	-	-	-	-	-
Jan	340.00	340.00	330.00	340.00	-	-	-	-	-
Feb	340.00	340.00	330.00	340.00	-	-	-	-	-
Mar	340.00	340.00	330.00	340.00	-	-	-	-	-
Apr	340.00	340.00	330.00	340.00	-	-	-	-	-
May	340.00	340.00	330.00	340.00	-	-	-	-	-
Jun	340.00	340.00	330.00	340.00	-	-	-	-	-
Prev. sales 78,097.									
Prev. day's open in 126,132, off 4.81.									

Figures in sterling per metric ton.  
Gasoil in U.S. dollars per metric ton.

	High	Low	Close	Previous
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Figures in sterling per metric ton.  
Silver in pence per troy ounce.

	Today		Previous	
High grade copper cathodes:				
	\$23.00	\$24.00	\$23.00	\$23.00

Moody's.....	996.08 f	1,004.45
Reuters.....	1,576.98	1,540.58

Debitors	126.98	126.95
D.J. Futures	126.98	126.95

EQUIPT. FORMERLY OF  
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37-54 Page 11.  
MASPETH (Queens) NY

**3 Fri., JULY 30**  
Stone Castle Rd.  
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### Using Rate Capital

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1991

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provisions of the Notes.

an Interest Rate of 15¼%

payable on the relevant  
January, 1983 against  
\$393.96

Bank, N.A., London

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## 000,000

**Industries**  
**Corporation N.V.**

## Rating Rate Notes

ions of the Notes, notice is

Notes will carry an interest rate of 12% per annum. The interest payable

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Manhattan Bank,  
tion, New York











